

PUBLICATIONS OF THE MINNESOTA ACADEMY OF SOCIAL SCIENCES

Vol. VII, No. 7

General Topic :
Co-operation

\$2.00 Per Volume

PAPERS AND PROCEEDINGS
OF THE
SEVENTH ANNUAL MEETING
OF THE
Minnesota Academy of
Social Sciences

EDITED BY
JEREMIAH S. YOUNG

PUBLISHED FOR THE ACADEMY
By the Northfield News
1914

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Headquarters
Mechanic Arts Building, University of Minnesota
Minneapolis

CONTENTS

THE MINNESOTA ACADEMY OF SOCIAL SCIENCES

INTRODUCTION	5
CONSTITUTION	7
OFFICERS FOR THE YEAR 1914	9
PROGRAM OF THE SEVENTH ANNUAL MEETING	11
REPORT OF THE SECRETARY-TREASURER	14
MEMBERS AND SUBSCRIBERS	15
PAPERS AND DISCUSSIONS	
PRESIDENTIAL ADDRESS, <i>Judge E. F. Waite</i>	21
ESSENTIALS IN CO-OPERATION, <i>C. W. Thompson</i>	29
LEGAL ASPECTS OF CO-OPERATION, <i>Judge F. T. Wilson</i>	39
WHY DOES CAPITAL GET SO MUCH AND LABOR SO LITTLE? <i>Carl J. Buell</i>	45
CO-OPERATION IN MINNESOTA, <i>L. D. H. Weld</i>	50
THE FARMERS' CORPORATION OF DASSEL, <i>K. Johnson</i>	73
CO-OPERATION IN WOOL MARKETING, <i>Magnus Brown</i>	81
CO-OPERATION AT HAYFIELD, <i>George Wicker</i>	87
CO-OPERATION ABROAD, <i>E. A. Webb</i>	96
NEIGHBORHOOD CO-OPERATION AS A BASIS FOR PERMA- NENCE IN AGRICULTURE, <i>J. C. Caldwell</i>	103
THE CO-OPERATIVE MOVEMENT, <i>George Keen</i>	116
LAND CREDIT, <i>George Woodruff</i>	138
PERSONAL CREDIT, <i>George W. Simon</i>	145
Agricultural Credit in Minnesota, <i>G. P. Warber</i>	162
APPENDIX:	
THE FALL OF NATIONS	168
CO-OPERATIVE EDUCATION AND CITIZENSHIP	176

The Minnesota Academy of Social Sciences

The people of a commonwealth can advance toward better conditions of government and more efficient administration only as public opinion grows more enlightened. Such public opinion is formed largely through the medium of the press, the schools, and associations organized to discuss questions of importance. With a view to providing a medium through which men may confer together upon important political, social, economic, and historical questions affecting the life of the state, the Minnesota Academy of Social Sciences has been organized.

It is believed that the influence of an organization whose members consist of persons interested in these questions would count much toward the formation of sound and rational doctrine relating to legislation and the social and industrial welfare of the people of Minnesota. It is equally certain that the publication of the papers presented at the annual meetings of the organization would stimulate thought upon these questions and that a journal would serve as a suitable means of communication between those interested in the public questions coming up from time to time in the state.

The absence of any state association dealing with these phases of social life suggests the creation of an association that would be state-wide and open to persons interested in these subjects. It needs no argument that the

existence of such an organization with annual and special meetings held in the different towns and cities of the state, and the publication of a journal devoted exclusively to matters interesting the citizens of Minnesota, would furnish a nucleus for an enlargement of public opinion on many questions.

To this end the Academy was organized in April of 1907, a constitution drafted and officers elected. The first annual meeting was held at the University of Minnesota, December 5 and 6, 1907.

The papers and proceedings of the first annual meeting were published in 1908 under the sub-title Taxation. The second annual meeting considered papers relating to the commonwealth of Minnesota. The third annual meeting dealt with some problems of Municipal Government. The fourth annual meeting dealt with three social problems: The Criminal, A Pure Water Supply, and Workmen's Compensation. The fifth annual meeting with State-Wide Co-operation. The sixth annual meeting dealt with State Regulation of Prices and Wages. The seventh annual meeting dealt with the general subject, Economic Co-operation.

CONSTITUTION

I. NAME

The name of this organization shall be the MINNESOTA ACADEMY OF SOCIAL SCIENCES.

II. OBJECTS

(a) The encouragement of the study of economic, political, social and historical questions particularly affecting the state of Minnesota.

(b) The publication of papers and other material relating to the same.

(c) The holding of meetings for conference and discussion of such questions.

III. MEMBERSHIP

Any person approved by the executive committee may become a member of the Academy upon payment of two dollars and after the first year may continue a member by paying an annual fee of two dollars.

IV. OFFICERS

The officers shall consist of a president, three vice-presidents, and a secretary-treasurer.

V. STANDING COMMITTEES

The committees of the Academy shall consist of an executive committee, a publication committee, and such others as may from time to time be required.

The executive committee shall consist of the officers of the organization and three elected members.

The publication committee shall consist of six persons appointed by the president.

The officers and members of committees shall hold their positions for one year.

VI. DUTIES OF OFFICERS AND COMMITTEES

The duties of the officers shall be such as usually pertain to such positions. The executive committee shall have charge of the general interests of the Academy. It shall have power to determine the time and place of meetings.

The publication committee shall have charge of the publications of the Academy.

VII. AMENDMENTS

Amendments, when approved by the executive committee, may be adopted by a majority vote of members present at any meeting of the Academy.

OFFICERS FOR 1914

PRESIDENT

DR. JOHN A. RYAN, St. Paul.

VICE-PRESIDENTS

First, JUDGE F. T. WILSON, Stillwater.

Second, JUDGE DAVID F. SIMPSON, Minneapolis.

Third, PROF. DON D. LESCHIER, St. Paul.

SECRETARY-TREASURER

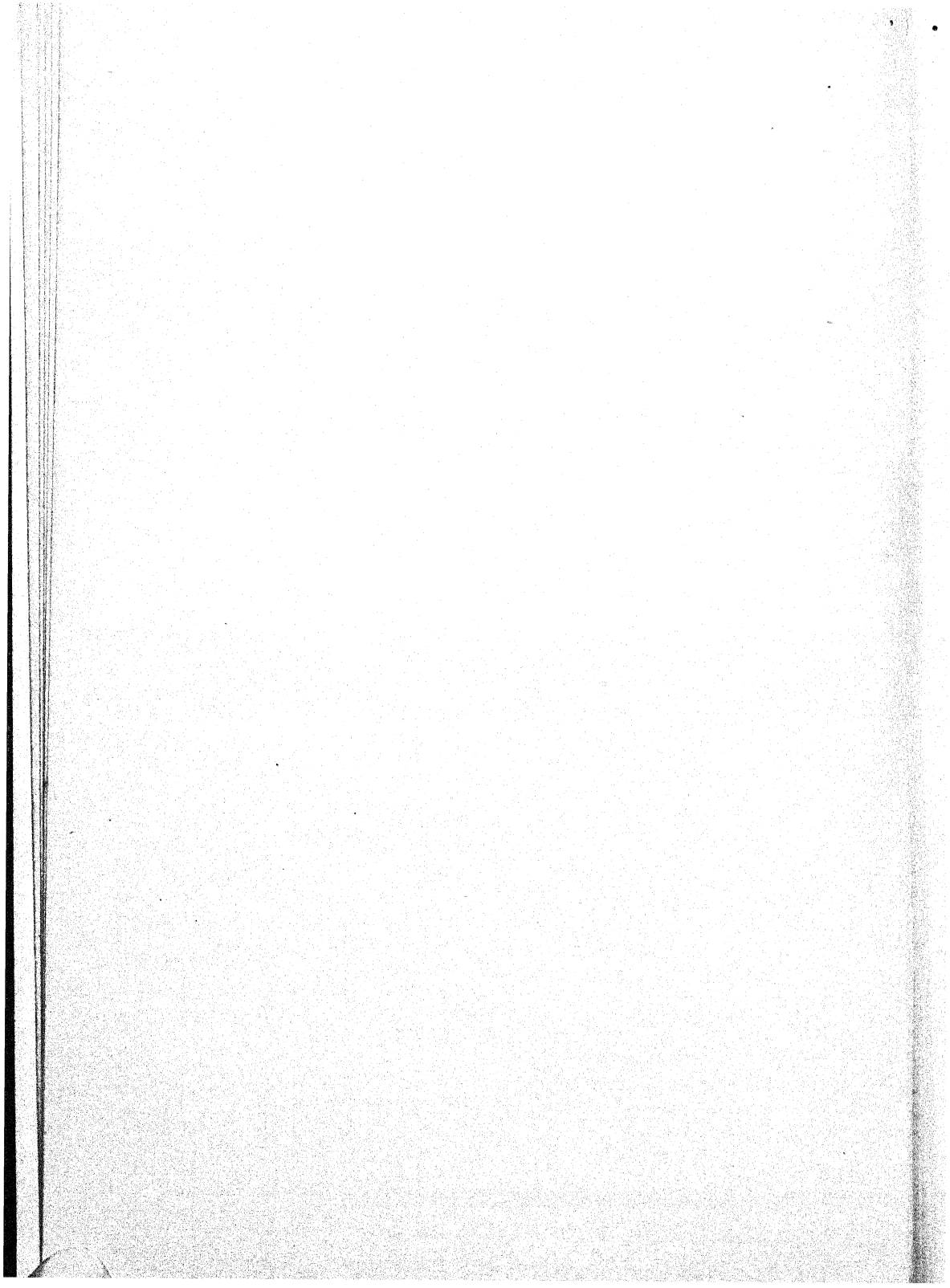
PROFESSOR J. S. YOUNG, Minneapolis.

ELECTED MEMBERS OF EXECUTIVE COMMITTEE

Judge E. F. WAITE, Minneapolis

MISS JOSEPHINE SCHAIN, Minneapolis

MR. G. W. C. ROSS, Duluth



The Seventh Annual Meeting

The seventh annual meeting of the Minnesota Academy of Social Sciences was held in the Auditorium of the Law School of the University of Minnesota, Thursday and Friday, December 4 and 5, 1913. The program was as follows:

PROGRAM

GENERAL SUBJECT—CO-OPERATION

FIRST SESSION

THURSDAY, DECEMBER 4, AT 8 P. M.

GENERAL AND LEGAL PHASES OF CO-OPERATION.

Presidential Address—Judge E. F. Waite, District Court, Minneapolis.

Essentials in Co-operation—Mr. C. W. Thompson, Investigator Rural Organization Service Department of Agriculture, Washington, D. C.

Legal Aspects of Co-operation—Judge F. T. Wilson, Lecturer on Co-operative Marketing in the Extension Division, University of Minnesota, Stillwater, Minn.

SECOND SESSION

FRIDAY, DECEMBER 5, AT 9 A. M.

WHAT MINNESOTA HAS DONE IN CO-OPERATION

Co-operation in Minnesota—Professor L. D. H. Weld,
Chief of Division of Research in Agricultural Economics,
University of Minnesota.

The Farmers Corporation of Dassel—Mr. K. Johnson,
Dassel, Minn.

Co-operation in Wool Marketing—Mr. Magnus Brown,
Farmington, Minn.

Co-operation at Hayfield—Mr. George Wicker, Hay-
field, Minn.

THIRD SESSION

FRIDAY, DECEMBER 5, AT 3 P. M.

WHAT OTHERS HAVE DONE IN CO-OPERATION

Co-operation Abroad—Mr. E. A. Webb, President,
Webb Publishing Company, which publishes "The
Farmer" and "The Farmer's Wife."

Neighborhood Co-operation as a Basis for Permanence
in Agriculture, with incidental reference to leading
American organizations—Mr. J. C. Caldwell, Presi-
dent, First National Bank, Lakefield, Minn., special
investigator of the subject of land credits.

The Co-operative Movement—Mr. George Keen, Editor,
Canadian Co-operator and Secretary of the Co-
operative Union of Canada, Brantford, Ont.

FOURTH SESSION

FRIDAY, DECEMBER 5, AT 8 P. M.

CO-OPERATIVE FINANCE

Land Credit—Mr. George Woodruff, President, First National Bank, Joliet, Ill. Mr. Woodruff has given special attention to this subject.

Personal Credit—Mr. George W. Simon, Western Agent Jewish Agricultural and Industrial Aid Society, Chicago, Ill.

REPORT OF SECRETARY-TREASURER

The following is a statement of the receipts and disbursements of the Academy for the year 1913:

RECEIPTS

Balance from previous year.....	\$74.39
Lunches, annual meeting	3.00
N. W. Harris	75.00
Membership dues and sales	481.15
	<hr/>
	\$633.54

DISBURSEMENTS

Stationery and programs	\$52.10
Postage	53.00
Printing volume 6.....	252.00
Copyright, volume 6.....	1.02
Mailing boxes	2.04
Binding 100 copies of volume 1.....	20.00
Lunches, annual meeting.....	3.00
P. J. Watrous, for delivering lecture before annual meeting of 1912	18.00
Exchange on checks70
Labor	9.75
Freight and express	11.90
Incidentals	1.45
	<hr/>
	\$424.96
Balance on hand	\$208.58

Submitted December 5, 1913.

J. S. YOUNG, Secretary-Treasurer.

Audited and found correct.

S. N. REEP,
L. D. H. WELD.

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GENERAL SUBJECT

Co-operation

First Session

ANNUAL ADDRESS OF THE
PRESIDENT

ESSENTIALS IN CO-OPERATION

LEGAL ASPECTS OF CO-OPERATION

WHY DOES CAPITAL GET SO MUCH
AND LABOR SO LITTLE

PRESIDENTIAL ADDRESS

THE SPIRIT OF CO-OPERATION

BY E. F. WAITE

In these days one who leaves the beaten path in delivering a presidential message has at least the warrant of recent high example. It has been the rule in this Academy for the president to open the proceedings with a rather elaborate address, ranking with other items of the program as a contribution to one of the subjects to be discussed. Since I shall not try to do this it seems fitting to give a reason:

When your executive committee began to consider the program for the seventh annual meeting of the Academy, it became evident that the main subject ought to be Co-operation, and that the meeting would be of greater value if this should be the exclusive theme at all the sessions. It happened, however, that there had come into office for the year a president whose ignorance upon economic subjects has only one mitigating feature—the merit of being promptly admitted. He could not hope to prepare an appropriate address upon any phase of Co-operation in any time at his command; and if he should present a topic upon which he might fairly suppose himself to have something to say, the desirable unity of the program would be broken. In this dilemma his fitting course has seemed to be to not attempt the usual presidential address, but merely introduce the general theme from a standpoint other than that of the

student of economics. I shall therefore speak to you briefly upon

THE SPIRIT OF CO-OPERATION

More than ever before in the history of the world the proponents of political, social and economic theories, and the supporters of institutions of every sort, are called upon to justify their faith and their works in the court of morals. Always have there been prophets to see and urge right standards; but never has the general conscience been so keen as now to apply the tests of social ethics. If to any this shall seem the idle phrase of a superficial optimist, I shall not undertake his conversion. Much, I own, depends upon the point of view, and from mine the vista leads upward. While it would not be difficult to name communities and even nations where the public conscience shows no special activity, and to mention subjects concerning which groups of people—larger and smaller—disclose but a sluggish sense of right and wrong, one must be a pessimist indeed who, taking such a survey of world affairs as the average man of today is competent to take, does not see a general awakening to moral values. Conscience is ever in advance of conduct; and while the conduct of Christendom still lags behind the law of Moses its conscience is fast overtaking the Sermon on the Mount. Many yet show the stains of fratricidal strife, but few are now bold enough to ask, "Am I my brother's keeper?" Strength exploits weakness still, as it has done since the world began, but with less arrogance—indeed, with appeals, by way of defense, to the law of Malthus and those familiar maxims of evolution which have long done valiant service to "man's inhumanity to man." But that it deigns to give a reason at all marks a great step forward; and there are many strong—a constantly increasing number—who reach out to the weak not a hindering but a helping hand. If the long dreamed of

brotherhood of man is still a dream, the dreamers have become a multitude, and many think the vision is beginning to come true.

Let us glance at a few conspicuous signs of the times. Hardly more than a dozen years ago it was said of us in America, with too much justice, that "intent on personal gain," we showed "neither desire nor capacity for any form of government other than a nominal democracy ruled by a corrupt plutocracy." But who does not see that during the last decade we have moved with astonishing swiftness toward *real* democracy—which is brotherhood in government—and the overthrow of plutocratic domination? This has been in line with a world-wide impulse that America could not if it would evade—an impulse fundamentally moral as well as social, and producing like results in every department of community life. Right and Wrong have become new and more vivid words in the political vocabulary; and since we know it to be right that not property but people shall be the first concern of government, we are beginning at last to try to have it so.

Social morality speaks today to many ears that of late were deaf. The solidarity of society is no longer a mere concept of the philosopher; it is a practical working theory for everyday life. In a thousand new ways, often with devotion and self-sacrifice, the privileged are ministering to the unprivileged—not because philanthropy is respectable, not because almsgiving wins favor in the sight of Heaven, not merely because they realize that their own and their children's well-being is one with the well-being of the lowest in the social scale, but because—whether they have recognized the fact or not—they have heard the voice of One with whom they would fain claim kinship, and who said, "Inasmuch as ye did it unto one of these, my brethren, even these least, ye did it unto me." And we have come to see that since

the man who has is in large measure the beneficiary of society, and the man who has not is in large measure the victim of society, much that we have considered charity is but social justice. Here again the word is "brotherhood." Surely we have departed far from the old standards when, without astonishment, we find the President of the United States declaring in his annual message that needed social reforms are of first importance, as compared with political and economic measures.

The great movement for peace among the peoples of the earth; the fast increasing list of international organizations to further various schemes for the welfare of mankind—sometimes hostile to each other, to be sure, but significant from our present point of view because they are international; the marvelous growth of missionary enterprises; the widespread sentiment for religious unity—what are these but signs that in all the world there is a growing sense of human brotherhood?

Even the hard ground of economics has felt the stirring of the seed. The challenge to the competitive system has been more tardy and more timid on this side of the Atlantic than on the other, but we shall hear it from now on in tones of increasing boldness. Individualistic theories and methods in industry and commerce rest upon a frank foundation of enlightened selfishness. If they are to shape the permanent social order they must defend themselves against the attacks of those who hold that enlightened selfishness is still selfishness, and that selfishness is not the highest motive to which man may and should respond in his dealings with his fellows, even in the domain of trade. Others who doubt if human nature is capable of real unselfishness insist that individualism has been wrong in assuming strife—however fair and open—to be the necessary outcome of enlightened self-interest; and claim that the highest enlightenment of self-interest leads to mutual human helpfulness.

Mankind, these tell us, does not need conversion to purer social morality so much as education to sounder economic thought. Not in competition, they say, but in Co-operation, lies the true welfare of the individual and the race. But whether the tune be principle or expediency, the key is again the key of brotherhood.

Those who hold Co-operation to be an economic fallacy must admit that from the first its propagandists have deemed themselves preachers of social righteousness. Such in his own view was Robert Owen; and while we do not think of him as one who was moved in conventional ways by the love of God, we must concede to his name a place beside Ben Adhem's, as having drawn his inspiration from love of his fellow men. He held "the one legitimate object of society" to be "the improvement of the physical, moral and intellectual character of men"; to him "the wealth of the nation was no longer the goal of political and economic action; it was simply a means to an end—the formation of a noble character in the citizen." He had faith that the wealth producing motives might be "moulded and leavened by an all-pervading love of humanity"; and "in contradiction to the competitive formula, 'each man for himself and the devil take the hindmost,' he declared 'that the happiness of self clearly understood can only be attained by a direct and conscious service of the community'."

The Christian Socialists proclaimed "the great new * * Church * * of enfranchised and fraternal labor." One does not read that the meetings of the Equitable Pioneers were opened with scripture and prayer; but who can doubt that those weavers of Rochdale, with their pigmy capital and their colossal faith, were men of profound religious conviction, believing they would succeed because they believed they worked with God? We do not find that these men gave utter-

ance to many lofty sentiments, but they had ideals and were true to them. They sought primarily to better their own condition; but they consented, both as buyers and sellers, to subordinate immediate private advantage to the general good. In 1855, eleven years after the beginning of the movement, a co-operative conference was held at Rochdale. A committee was appointed to carry out certain resolutions. The chairman and secretary published a declaration of principles on which the proceedings of the committee would be regulated. They were as follows:

"I. That human society is a body consisting of many members, the real interests of which are identical.

"II. That true workmen should be fellow-workers.

"III. That a principle of justice, not of selfishness, must govern our exchanges."

"Fine phrases," cry *laissez faire* and competition, "but they will not work." "Experienced men warned me," said Eleanor in "Alton Locke," * * * "that such a plan (co-operation) would be destroyed by the innate selfishness and rivalry of human nature; that it demanded what was impossible to find, good faith, fraternal love, overruling moral influence. I answered that I knew that already; that nothing but Christianity could supply that want, but that it could and should supply it."

Was this faith justified? For answer contrast the little shop in Toad Lane, Rochdale, and the £28 capital of 1844, with the splendid commercial houses and the enormous sums of money which less than seventy years later are doing the business of thousands of co-operative enterprises established in many lands upon the Rochdale plan. In 1909 this business, in Great Britain alone, amounted to nearly \$700,000,000, upon which there was a net saving to the members of approximately \$98,000,000.

The two great co-operative wholesale societies of England and Scotland have an annual turnover of nearly \$200,000,000, and the increase is rapid. The capital of £28 has become over £50,000,000. At the Ninth Congress of the International Co-operative Alliance, held in Glasgow last August, Earl Grey, the honorary president, declared that the countries represented in the Alliance contained about 20,000,000 co-operators.

Besides an enormous saving to British co-operators in the cost of living—estimated to have amounted to much more than a billion dollars in 48 years, there have been substantial social benefits. These are stated as follows by a critical student of the subject, Mr. Fay:

Co-operation, he says, has

- "I. Introduced the workingman to the task of self-government.
- "II. Familiarized the working classes with cash payments.
- "III. Encouraged thrift and opened up fields of working class investments.
- "IV. Definitely called upon its members to make sacrifices for the improvement in intelligence and character of themselves and the working class generally."

I have referred particularly to the Rochdale system because it seems to me to be more clearly based on sound principles of social ethics than are the other forms in which the co-operative idea has found expression. It is not merely business but fraternity; not profit-sharing alone, but economic democracy. The doctrine of "one man, one vote and no proxies" is not a detail of administration but a fundamental recognition of persons and not property as the basis of organization. Moreover, the Rochdale plan has furnished the conspicuous example of success in Co-operation, and by that token may well assert a peculiar claim to the true co-operative

spirit. Theoretically it stands upon a higher moral level than the scheme of the Christian Socialists, because the contemplated scope of its beneficence is more catholic; and here theory has been confirmed by the comparative vitality of the two movements. Says Mrs. Sidney Webb:

"It is the unique, and I say advisedly, the glorious achievement of the democratic form of Co-operation, that through extinguishing profit as well as eliminating the profit-maker, it destroys the occasion—it roots up and extirpates the very foundations—of the art of wealth gaining apart from rendering services to the community."

Members of the Academy: the subject which you are to consider at your seventh annual meeting is most timely and important. The critical discussion of its various phases will be left to others. The task I have set for myself will have been performed if I have suggested to those who are not versed in economics, and reminded those who are, that if the noble vision of Co-operation is to be realized it must be as men come more and more into the spirit of brotherhood and mutual helpfulness—that spirit which in these great days we know to be the essence of political, social and economic democracy, and also of true religion.

ESSENTIALS IN CO-OPERATION

By C. W. THOMPSON

Some years ago my attention was attracted by a cartoon which portrayed a mule harnessed to a two-wheeled cart. Along the back of the mule and extending forward between its ears to a point nearly two feet in front of its head was fastened a pole, on the front end of which was suspended a wisp of hay. The driver seated in the cart was brandishing a long whip and, at the same time, glancing backward with anxious looks at a pack of wolves pressing on in eager pursuit. The picture was supposed to represent the incentives held up to the average laboring man. He goes to his daily tasks, lured on by the wisp of hay and spurred on by his fear of the wolf of starvation at his heels.

In discussing the essentials of co-operation, I should also like to portray a movement. In arranging our picture, I prefer to omit the mule; likewise the wisp of hay, the whip, and the wolf. I should like to make it a moving picture with its setting on the gridiron. There would be many players, with a captain for the team, a goal post, and rules with the idea of making it a fair game.

I should want many trained players in order to emphasize the advantages of team work. As a matter of fact, a very important element of interest would be lacking, if the game simply showed up individual play. It is true that the star performer is absorbingly interesting and often turns the tide in group contests. He may at times seem to make his goal almost single-handed. Nevertheless, the great body of opinion expressed in

the outbursts of the bleachers is reflected more largely in a disapproval of incoherency in group action and in sympathetic accord with well-planned maneuvers of team-play. Moreover, the best individual plays are themselves possible only with the support of highly developed team-work. There would have to be a captain fully conversant with the capacity and possibility of the team. His task would be to center the wills of the players on the most effective course to the goal line. Finally, it would be necessary to have well-defined rules of the game. If we are satisfied with the life of the jungle, where each one makes his individual plays without much concern for his neighbor, we shall have little use for rules in the game. On the other hand, if regulations are thought of "not as chains but as chain-mail" and are devised accordingly, we shall find in them the only means of getting everybody into the game and keeping all interested through a consciousness that it is a fair game where each has a chance to play to advantage.

The co-operative movement has its goal line, its trained players, its captain, and its rules of the game. I shall endeavor to discuss the essentials of co-operation under these various heads.

It is doubtless true that the wisp of hay and the wolf of starvation are pronounced incentives to myriads of toiling men and women. Whether the battle is with nature, as is largely true in many of the pursuits of agriculture, or with the relations between men as revealed in the contacts of commercial activity, the coat-of-arms has unmistakable signs of the wolf and the wisp of hay. At least the shadows, if not the substance, of the same motives will continue to linger on our new picture. With the average type of men and women, it may be impractical to try to do without them.

The new picture will not emphasize, however, the

negative character of a backward look. It is rather the positive program of definite achievement clearly set forth above the goal posts, which is to furnish the impelling motive. Clearly visible from every yard-line of the gridiron, the goal will beckon with the following message: "Since men are more important than money, let capital be paid a fixed yet reasonable return and let all that remains be a reward to human effort in proportion to patronage." Those familiar with the game, will need no further explanation. They understand what patronage means. They know it has reference to what each one contributes through purchases or sales or service.

But how shall we picture the players? By answering two questions: Who shall be permitted to play the game? and, What shall be the necessary training? No room can be allotted in our picture for bars and bolts and padlocks with the idea of encircling a closed shop. The time for playing such games is rapidly passing away. We must discard the iron bars, the locks, and keys. Ours must be an open shop where all who have capacity may play the game and where no special favors are needed as passports.

However, with so many players on the grounds, what shall we say of their training? There can be but one answer. They must begin with simple plays which are easily understood and repeat such practice before trying the more complicated runs. The farmers' club is one of the simplest plays. Cow-testing and breeders' associations are likewise relatively simple formations, a training in which may well precede the more complicated combinations in co-operative endeavor. Failure to play successfully in the co-operative game may often be traced to the order in which formations are attempted. Power must be developed through the repetition of relatively simple plays, before the more complicated types of co-operation can ever be successfully handled.

Even though the players are well-trained, there will be no unity of action in moving toward the goal-line, unless control is vested in a captain of the team. It is in the choice of a captain with power of control that we find one of the distinguishing marks of a co-operative organization. Most of the corporate units in our country are not co-operative, because they do not present the necessary attraction over the goal line and because of their choice of a captain for the team. They usually bear the earmarks of a stock company with dividends on capital as the goal post and with voting power according to share-ownership as the controlling factor. Where the purpose of an organization is primarily to arrange mass plays for capital goods, it is undoubtedly advantageous to use the method adopted by the typical American corporation. This has been well-illustrated in the development of manufacturing and railway enterprises. However, if the purpose of an organization is to unite the efforts of men as well as their money in team play, we must not only alter the incentive as revealed from the goal line, but also center control in a captain that can best appeal to the interests and efforts of the members of the team. This is especially true in the rural life movement where conditions have favored a continuity of individual plays and where it is especially difficult to promote team work. If those who are habituated in individual plays are to find the organized game more interesting than the one to which they are accustomed, we must provide a captain who can command their confidence. The co-operative movement aims to do this by making the selection of the captain the choice of men rather than of money. In certain countries, notably Denmark and Ireland where co-operation in rural life is most advanced, the problem of choosing a captain is simplified by applying the rule of "one man, one vote"

to each member of an organization. The same practice is true of a large number of similar organizations in the United States. Such a method seems most in accord with the political principle idealized under the democratic form of government. While many leaders in the co-operative movement adhere to this form of control and refuse to consider any principle at variance with it, there are others who, although equally zealous in centering power with human effort rather than in the possession of money, find it, at the same time, impracticable to disregard the service contributed by each member of such an organization. To them it seems important to emphasize the kind of service each member renders rather than the mere fact of membership. They want to put a premium upon the worker rather than upon the drone and, therefore, modify the abstract democratic principle of "one man, one vote" by vesting some additional control apportioned according to service rendered as shown by patronage. They hold that, unless this is done, there is danger that cases may arise when one faction wields the control while the remaining portion of the membership contributes the bulk of the service. Moreover, it is their contention that men are important only as they give themselves up in service and that the latter should be considered, therefore, in the choice of a captain of the team.

Having given a perfect goal, a well trained team, and a captain who commands confidence, the details of our picture would, nevertheless, lack the right perspective unless its movements revealed a recognition of certain clearly defined rules of the game. Attention will now be directed to a brief consideration of the more essential rules of such a movement.

The kind of progress encouraged through human agencies, implies foresight, and the very embodiment of foresight in an economic organization lies in its provi-

sions for a reserve. Many a game has been lost because of a failure to hold in reserve the means of meeting the critical moments. The practice of laying by in reserve is so vital to the permanency of a movement that it should be continued indefinitely. It is not sufficient to fix a limit with the view of discontinuing reserve allotments after such a limit has been reached. The establishment of some nominal limit is undoubtedly advantageous but, even after this has been reached, the practice of contributing to it should be continued and, at the same time, drawn from, the reserve to repay the contributions from earlier years on the basis of patronage with interest added. Such a method has had wide application in Denmark and has served to reward the older members while holding out the necessary obligations to newer ones.

In the same way that foresight is necessary in order to hold certain resources in reserve, so initiative is essential in order to carry out effectively the plays that are used in the game. Economic organizations often overlook the need of constantly improving equipment. It is just as important that co-operative societies should be vitalized with the spirit of invention and its products as the successful efforts of private enterprises. This follows from the fact that the strength of co-operation along economic lines must come from the added economies it brings through the more perfect utilization of power and the creation of added power. If there is to be economy in collective purchases, there must be a lessening of cost through the handling of large units. If co-operative production or sale is to be economically helpful, it must result in superior and more uniform quality, improved handling and packing, a more dependable product and one that is more favorably and widely known. The proper development of all these lines of improvement calls for the most active initiative.

Foresight, as revealed in the holding of a reserve, and initiative, as reflected in the constant improving of the utilized equipment, are both fruitless unless the business as a whole is carried on under suitable management. The quarterback on the gridiron and the manager of a co-operative society are both responsible for the selection of plays in their respective games. It is folly to choose managers in either place who do not measure up to those with whom they are in active rivalry.

There is another rule that must not be overlooked in any collective game. I refer to the continuous need of publicity. The gridiron must have its umpire and its bleachers to discourage error and to cheer what will favor success. The co-operative movement must have its system of accounts and audits to interpret the meaning of its experience and to keep it in the straight and narrow path. Co-operative business should be under the eye of all its members. Meetings should be so conducted that any member may be heard in case of complaint or misunderstanding. When troubles get perfect ventilation, they are most easily removed. If, however, they are held under cover, they may breed the germs of a dangerous disease in the body of the co-operative organization.

If proper attention is given to the various rules suggested by foresight, initiative, managerial ability, and publicity, we have only to add the need of loyalty to insure both a useful and interesting game. It is useless, however, to attempt a collective movement unless the individual members are far enough advanced to contribute the necessary allegiance. This comes only with a proper appreciation of the spirit of mutual helpfulness. As members of a collective movement, we must realize that we are never so weak as when we stand alone. We are never so strong as when banded together. We must realize what enormous waste is going on constantly about

us because of a failure to utilize the power, the "good will" made available through collective action. If a doctor or lawyer sells out his practice, he receives something more than the worth of his books and equipment. He demands a sum in addition to compensate him for what he calls his practice—his good will. A corporation that has built up a lucrative business does not measure the worth of its assets in the light of mere tangible holdings. Something more is demanded, depending upon extent of earning power. We call it good will. There are thousands of communities in the country that would give far greater returns to their people if they could only learn to utilize and develop good will. What a tremendous waste is going on because of the extent of this unused power! How much would be the increase of community values, if people but came to their own and, through organized, mutual help, utilized the power of good will!

Before closing this paper, brief reference should be made to the problem of promotion as applied to the co-operative movement. There is no doubt that much of the failure of co-operative endeavor can be traced to the nature of its promotion. If a game on the gridiron is lost, it is generally convenient to attach some blame to the method of coaching. In most of the co-operative undertakings that have failed, the coaching involved presents its own story. It is invariably the work of outside agencies, whose method of extending co-operative activities is apt to be influenced more by the prospect of gains from promotion itself than from any interest in the final success of the co-operative venture. Where co-operation succeeds, the promotion comes through a proper system of education that reveals the various elements involved and supplies, step by step, the necessary experience and, with it, the necessary power. Co-operation, like democracy, presents a complicated ma-

chine which is useless unless there is available the kind of power necessary to run the machinery. You can not run a steam engine without steam. You can not run a democracy among the Hottentots of Africa because they lack the necessary power with which to run it. Neither can you run a co-operative venture without the necessary mental and moral power. If these powers are limited, it is better to simplify the machinery. If the only power I possess is the power of my arm, then the best possible tool I can use is a spade, a hoe, or a scythe.

The work of education along co-operative lines must, therefore, be extended so as to develop mental and moral power that can run the machinery. There is no doubt but that the success of co-operation in Denmark is largely due to the kind of power developed by the educational system of the people. The farmers in that country have combined their efforts through the inducements of enlightened self-interest without the encouragement of professional promotion. Likewise, in proportion as the educative influence of our schools and governmental agencies assumes the functions properly attributable to them, of supplying information bearing on rural organization and as voluntary organization gradually strengthen their work, the objectionable kind of promotion will undoubtedly become less operative in the United States.

We prefer to efface the picture in which the essential features are the wisp of hay, the whip, and the wolf. Let us rather contribute to the enlargement of a real vision by promoting a movement, the essentials of which include a goal where capital receives a fixed but reasonable return and where the surplus goes as reward to human exertion; a group of trained players gradually evolving the necessary power through study and experience; a captain of the team reflecting democratic

control with a proper recognition of service; and rules of the game, insuring a fair game where all may play to advantage; through foresight that provides a suitable reserve; initiative that emerges in constant growth and improvement; and managerial ability that chooses the best play for each stage of the game; publicity through accounts and audits that check the fruitless and encourage the useful; and loyalty that binds together the victims of isolation and, out of this increased power, creates a new world of values.

LEGAL ASPECTS OF CO-OPERATION

BY F. T. WILSON

The legal aspects of co-operation constitute a subject difficult to handle. There is very little to be found in any of the text books or reports concerning this subject of co-operation. Co-operation is a vague and indefinite term. It is used indiscriminately by bankers, trust magnates, labor men, and farmers to characterize their united efforts.

The courts have accepted the common definition that it is an effort to work together. In order to catch the full significance of the word one must know who is working together and for what purpose.

But few states have enacted any legislation bearing upon the subject of co-operation. Minnesota is one of these states. Its statutes bearing upon co-operative associations supplement the laws relating to corporations by making certain provisions concerning the ownership of stock, manner of voting, and the distribution of earnings, together with another provision concerning the publicity to be given the organization of the co-operative enterprise.

The two standard cyclopædias dealing with the law dispose of the subject of co-operation in less than a half a dozen lines. Co-operation is defined by the Illinois Supreme Court, in the case of *Swisher vs. Illinois Central Railroad Company* in the 182 Ill., page 533, or 55 *Northeastern*, page 555, as "working together." Co-operation is also defined as "acting together," or "simultaneously united to a common end," a "unitary result."

References to decisions supporting this definition will be found on page 884 in volume 9 of Cyc.

The Encyclopædia of Law disposes of the whole matter by citing a Minnesota case of Finnegan vs. Noerenberg, which is probably the most important case yet cited in this field. It lays down the far reaching principle to the effect that any attempt in good faith by an association to organize in accordance with the statutory provisions will make it a corporation *in fact*, even though it does not comply with all the technical requirements of the statutes.

This proposition is also recognized by the Minnesota Supreme Court in the case of Healey against the Steele Center Creamery Association, 115 Minnesota, page 451.

One other decision and we have practically exhausted the legal authorities. In the case of Reeves vs. The Decorah Farmers' Co-operative Society, decided by the Iowa Supreme Court and reported in the 140 Northwestern Reporter on page 844, the court holds that any provision in the by-laws compelling the members to sell their products to their own company, or be obliged to pay a penalty for selling to a competitor, is a provision in restraint of trade and, therefore, void.

With this brief consideration of the legal aspects of the subject, and in view of the Minnesota decision emphasizing the practical rather than the technical legal phases of the subject, the speaker will now take the liberty of discussing co-operation with reference to its general aspects.

Co-operation is the most generally misused word in the American language. It is applied to every kind of organization from the Steel Trust to an egg shipping association. For the purposes of the present discussion it is applied to the marketing of farm products. Minnesota is one of some four states that has enacted some specific legislation supplementing the general law with

regard to organization of corporations. Co-operative associations are so new that four lines covers all the reference to the subject in the standard legal authorities.

The Minnesota Supreme Court has one decision relating to co-operation which determines that a general compliance with the law creates a corporation in fact. The Iowa Supreme Court has also one decision determining that members cannot be penalized for trading with competitors. The materials available for the legal discussion are so limited that the chief part of the discussion is necessarily concerned with the general aspects of co-operative marketing. Labor troubles, life movement from farm to city, the high cost of living, and general social discontent are all influences making the subject of distribution of farm products a matter of the utmost importance. It is claimed that it costs one to two dollars to market the product for which the producer received one dollar.

The present methods are the same that have been practiced from the days of Joseph and Pharaoh. The problem of the hour is whether it is possible to improve methods of distribution as we are improving methods of production.

Big business has perfected the corporation as an instrument of concerted action. Co-operative association as defined in the statutes is a modification of the corporation of big business. It limits the ownership of stock, provides one man one vote, makes the distribution of surplus earnings a matter of interest to the patron or customer who creates the business. In short, it is the transformation of a monarchy or oligarchy in business to a democracy. It is a community service. Labor is compensated, capital rewarded, and the remaining benefits and profits are distributed in the community. It is the policy of passing prosperity around. This method of doing business is the great antidote to the

concentration of trade in the big cities. When the entire community becomes interested in a co-operative market it acquires an interest in local business and forms habits of home trade. Moreover, co-operative methods eliminate from trade the element of speculation or chance. Service is substituted for exploitation in the business.

Co-operative efficiency is the supreme necessity for success in the co-operative marketing of farm products. Co-operation is team work. It must have behind it the community appreciation, sympathy, and interest. Publicity is as essential to co-operation as it is to sport. Ignorance and habit are the great stumbling blocks to the practice of co-operation. To remove these hindrances it is necessary to utilize the press, the platform, and the public school. Every instrumentality that is now used to promote scientific farming must be used to promote scientific marketing. In short, it is the application of the new gospel of scientific management to co-operation. This means economy of effort, elimination of waste. It means the use of the expert in organizing and conducting the co-operative enterprise. If the university can train lawyers, doctors, engineers and farmers, it should train managers for co-operative markets. If the state can help building associations, state banks, fire insurance, by means of stated inspections and examination, the same procedure can be applied with great advantage to co-operative enterprises.

As the league is to the ball game, so a federation of co-operative organizations is to co-operative business. Such a federation is the strength of the Fruit Growers' Association in California. If all the creameries, farmers' elevators, shipping associations, amounting in all to some thirteen hundred co-operative enterprises in the State of Minnesota, should all unite to maintain one common federation of the same character as the Jobbers' Credit

Bureau, such an organization would prove of inestimable value in promoting sounder organization and more efficient conduct of co-operative markets. Such an organization is the only power able to cope with the large problems of transportation and terminal markets.

The matter of financing a co-operative enterprise is merely a matter of gaining the public confidence. The more soundly the enterprises are organized, the more efficiently they are conducted the more willingly will the public buy their stocks. A corporation, whether co-operative or otherwise, is like the individual. It must achieve a character in the community before it is entitled to credit.

In the practice of co-operation it must be made a community affair. It must be organized under expert guidance. Its directors must be men who are successful in the conduct of their own affairs. Personal solicitation is the only way to sell stock and secure business. Inspection by a non-partisan and disinterested expert is absolutely necessary.

Finally, efficiency is the consummate aim of the co-operative undertaking. The manager must be a person of the same tact, zeal, and business sense as the most successful merchant of the community. To secure such a man the price must be paid. The manager must be a man who can go after business and not wait for business to go after him. The methods of the successful department store are the methods which will make co-operative markets successful.

In conclusion, co-operative marketing is a bigger thing than merely gaining more money for the farmers. It is the means for social regeneration and human uplift. One of our most eminent sociologists has written a book upon the American city, "The Hope of Democracy." This hope is based upon the reformation of the American city and the development of efficiency in the con-

duct of its affairs. If, in the city lies the hope of democracy, how much greater will be that hope when we multiply a thousand times co-operative corporations devoted to the distribution of the necessities of life. These organizations become veritable schools of democracy. Each member, whether producer or consumer, catches the true spirit of democracy in promoting co-operation.

Human progress is evolution from individualism to brotherhood. It comprises three stages: First, savagery, the primitive time when every man's hand is against his neighbor, and life is a struggle for the survival of the individual; second, barbarism, when men are organized into clans, tribes and nations, and by ruthless warfare strive each against the other for supremacy; third, democracy or brotherhood, the dream of the ages, when men conduct government and business in the spirit of "each for all and all for each."

Just so far as men fall short of realizing this dream, just to that extent will discontent, hatred and social strife vex the land. It matters not how often men fail to attain the ideal of democracy if, in their hearts, there still glows the hope of brotherhood. Never in all time has this torch shone with brighter light than today. Men have a new standard of business ethics—the square deal. Cities, states, the nation, are all being transformed into efficient co-operative enterprises conducted for the common good and not to promote individual greed.

WHY DOES CAPITAL GET SO MUCH AND LABOR SO LITTLE

BY C. J. BUELL

In his paper Mr. Thompson asks why it is that, in the division of the product, "Capital" gets so much and "Labor" gets so little.

I think that question has been pretty completely answered by a number of very able writers during the past hundred years. Before the middle of the last century, Patrick Edward Dove, in his remarkable work, "The Theory of Human Progression," answers the question with considerable clearness. Long before this, Adam Smith and the French Physiocrats had discussed the subject somewhat, but had come far short of solving it. In 1879 Henry George, in "Progress and Poverty," handled the question so ably, and yet so simply, that thousands of people believe that he answered it completely. A few years later, Behrens and Singer in their wonderfully simple little allegory, "The Story of My Dictatorship," made George's answer plainer still, if possible, and in addition, undertook to show that even if interest would entirely disappear and capital, so-called, get nothing at all, if only all law-created privileges were abolished and the rental value of land were taken and used for public needs in place of all existing taxes. It is, of course, known to all of you that this is the remedy proposed by Dove and George. Later Behrens, in his more complete work, "Toward the Light," goes over the whole subject again far more thoroughly, and brings out more forcibly still the same conclusion he reached

in the allegory. But about the most thorough and convincing work I know of is "The Science of Social Service," by Louis F. Post, formerly of "The Public," but now Assistant Secretary of Labor. In this work Mr. Post examines the whole field of land, labor, capital and co-operation, and makes the subject so clear that a child could understand it.

And so it comes about that all these great thinkers have brought us to the same goal, and by a path so plain and easily trodden that no one need fail to see it.

Here are a few of the truths laid down by these writers:

- I. The forces and resources of Nature are a free gift to all men equally;
- II. Nature yields her products to Labor, and to Labor only, and in proportion to the intelligence that directs the effort;
- III. All the "Capital" in the world, that is, all that can logically and properly be called "Capital," has been produced by labor, and it is only by labor that it is kept in a condition of repair and efficiency;
- IV. But labor must have a chance to use the forces and materials of Nature, or it can produce nothing;
- V. When the forces and materials of Nature are monopolized by the few and held away from Labor, then Labor is handicapped just in proportion to the price it must pay for access to these natural forces and materials.

Here then is the kernel of the difficulty.

Here is the real and only reason why the workers cannot freely and effectively co-operate to produce the things they need; here is the reason why labor—the creator of all the wealth of the world—is a beggar in the

land of its birth. The forces and materials of Nature are monopolized and withheld from it.

And these same authors are equally agreed as to the reason for this condition and the remedy that must be applied.

There are certain simple and fundamental things that the people as a whole must do—that society must do—if men and women are to be free, and have a fair and equal chance in the world.

- I. This can only be done by socializing the value of Nature's resources, thus making every form of taxation wholly unnecessary and relieving industry and its products of the excessive burdens that now crush and destroy.
- II. It is also the duty of society to make and maintain all the needed public ways for the transportation of persons and property and the transmission of intelligence. This includes all railways, canals, pipe lines, telegraph and telephone systems, and everything that goes to make a modern city street, with all its sewers, water pipes, gas mains, electric wires, pavements, sidewalks, curb and gutter, boulevarding, etc. In short, everything that would require a grant of franchise to put it into private hands.

It is especially worthy of notice that all these things connected with the making and upkeep of all public ways are necessarily public functions, and never can be got into private or corporate hands except through a public grant.

If society will faithfully perform these two public functions it can safely leave the production and exchange of wealth in the hands of private individuals and voluntary associations, untrammelled by statutes of any kind, subject only to the common principles of equity.

Then men will associate themselves together in freedom, for the conduct of all such kinds of work as are too great for individual undertaking. They will be able to produce all the "Capital" they need, and will manage their affairs without the ridiculous interferences and obstructions of statute law.

And until these things are first done, all the paternalistic and patchwork legislation of all the congresses, legislatures and parliaments in the world, will only serve to make bad matters worse.

Second Session

CO-OPERATION IN MINNESOTA

THE EXPERIENCE AT DASSEL

CO-OPERATION IN WOOL
MARKETING

THE EXPERIENCE AT HAYFIELD

CO-OPERATION IN MINNESOTA

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The history of co-operation in Minnesota has never been adequately chronicled—at least since the year 1888. In that year Mr. Albert Shaw wrote on “Co-operation in the Northwest,” his chapters appearing as part of a “History of Co-operation in the United States,” published as Volume VI. of the Johns Hopkins University studies. Mr. Shaw’s history undoubtedly covers completely all important co-operative attempts in Minnesota up to that time. It remains for some other historian to write of the more important development of agricultural co-operation since that time; and this he should do without delay, while some of the pioneers in the movement are still alive and able to give first-hand information.

Although co-operative fire insurance began among farmers as early as 1867, the most important developments in the early days were in the cities—notably in Minneapolis. Co-operation was thought of in those days as a panacea for industrial ills; it was championed by the Knights of Labor. Although the early Grange movement endorsed co-operation among farmers in the buying of supplies and in the marketing of crops, the attempts which resulted from this agitation were short-lived, and played no important part in the development which has taken place since 1890. The most conspicuous example of co-operation before that time was in the manufacture of barrels in Minneapolis.

The first attempt to form a co-operative cooper shop was in 1868, but it was not until 1874 that the first successful one started. Soon others entered the field, and

by 1888 the majority of the 800 coopers at work in Minneapolis were the members of seven successful co-operative concerns. Co-operation in this industry was a distinct success. Mr. Albert Shaw, writing at that time, said that this was the most important illustration of co-operation that this country had yet furnished. That the system was soon supplanted by the introduction of machinery in the manufacture of barrels, the substitution of large scale capitalistic production for hand coopering, and partially by the custom of packing flour in sacks rather than in barrels, does not detract from the significance of the fact that Minnesota had taken the lead in *industrial* co-operation, before she came to the front in *agricultural* co-operation.

I shall not dwell on other co-operative ventures that were attempted in Minnesota prior to the period in which we are most interested. Suffice it to say that Minneapolis had at one time a co-operative laundry, a co-operative store, that the Pillsbury Mills once had a scheme of profit-sharing that bordered on co-operation, that there was a co-operative organization among the painters of the city, and that there have been a number of co-operative building associations, not only in Minneapolis but in St. Paul and other cities. Mr. Shaw wrote in 1888 that "In Minneapolis there are men who are earning their living in a co-operative cooperage shop, paying for their home through a co-operative building and loan association, buying their groceries at a co-operative store, and having their washing done in a co-operative laundry."

But these early ventures are of only passing interest; they have all gone out of existence. The field of co-operation so far as Minnesota is concerned has long since been transferred from the city to the country. It is in co-operation among farmers that we are mainly interested.

The beginnings of farmers' mutual fire insurance companies before 1870 have already been alluded to. This is the earliest form of permanently successful co-operation that took place among the farmers of Minnesota. During the seventies innumerable co-operative stores were established among farmers. In fact, a state law was passed in 1870 providing for the formation of co-operative associations, but the movement soon spent itself. And this is not surprising in view of the frequent failures of co-operative stores today. During the eighties there was also a unique attempt to found a co-operative agricultural community, under the leadership of an enthusiast named J. S. Rankin, whom old residents of Minneapolis remember with interest. The real movement toward co-operation among farmers, however, did not begin until 1889 and 1890 when the first successful co-operative creameries and farmers' elevators were established. It will be easier to discuss each kind of organization by itself instead of treating the whole movement chronologically. Accordingly the co-operative organizations of Minnesota may be roughly classified into the following groups:

Those dealing with—

1. Production:

- (a) Creameries and cheese factories.
- (b) Cow testing associations.
- (c) Breeding associations.

2. Marketing:

- (a) Grain elevators.
- (b) Live stock shipping associations.
- (c) Egg shipping associations.
- (d) Fruit associations.
- (e) Warehouses for potatoes and other vegetables.

3. Buying:

- (a) Stores.

- (b) Farm machinery, binding twine, seeds, etc.
- 4. Insurance:
 - (a) Fire.
 - (b) Hail and cyclone.
- 5. Communication:
 - Telephone companies.

These groups necessarily overlap each other to some extent. I have classified co-operative creameries under production, although they of course also sell their product. Grain elevators, although principally marketing organizations, are often used as a means through which coal, machinery, flour, seeds, etc., are bought by the farmer members. In the main, however, this classification is fairly clean-cut, and covers the field, except for certain miscellaneous forms of co-operative endeavor, such as meat clubs, co-operative water works, etc.

CO-OPERATIVE CREAMERIES.

The most conspicuous example of co-operation among farmers in Minnesota is the co-operative creamery, which may be said to have come into existence in 1889. The conditions existing at that time in the dairy industry suggest the importance of the part played by the co-operative creamery in the general improvement in farm conditions. At that time most of the butter was made on the farm, and it was of very poor quality. It sold for about ten cents a pound—or rather was traded to the country merchant for produce. Cream was separated from milk by the gravity process, with a consequent loss of butter fat. The one-crop system of farming was still predominant, and farmers received their money income almost entirely in the fall from the sale of the grain crop. There were a few private creameries or local churning plants, sometimes operated by storekeepers, but they were generally unsanitary, had poor equipment, and were in charge of incompetent workmen. No discrimination was made between sweet and sour milk, a

criticism that may be made of some of our co-operative creameries today. The private creameries held down the price of milk and cream to the farmer; conditions were intolerable; there was nothing to encourage the farmer to raise cows and adopt mixed farming.

The splendid development that has taken place since 1890 can not be attributed of course, solely, to the co-operative creamery, although it has played a prominent part. The education of the farmer along the lines of better breeding of live stock and the importance of diversified crops; the invention of the centrifugal method of separating cream from milk; the instruction given to buttermakers by the University of Minnesota—have all been factors. But the co-operative creamery made possible the manufacture of high grade butter which brought the highest market price, and it enabled the farmer to get full value for his cream. Most important of all, in its effect on the economic well-being of the farmer, it made possible a steady money income throughout the year, which in turn has assisted him to pay off his mortgages, to pay for supplies in cash instead of resorting to store credit, to raise his standard of living, to improve his social relations, and to have more money to contribute to better schools, better roads, and better and happier homes.

In 1912 there were 864 creameries in Minnesota; of these, 33 were centralizers, *i. e.* large creameries of the cities which draw cream from great distances; 210 were private, independent creameries; and 621 or 72 per cent of the total, were co-operative creameries. Many of these co-operative creameries are not co-operative in the truest sense of the word in that they do not provide for patronage dividends; *i. e.* they distribute their profits on the basis of stock ownership rather than in proportion to the amount of butter fat that each patron brings to the creamery. But most of them are not run for profit;

they pay the highest possible price for butter fat, and have only a reasonable dividend to distribute to stockholders. They are owned by farmers, and are run for their benefit.

In the marketing of their butter, the co-operative creameries ship it in refrigerator cars to wholesalers or commission men in eastern cities. Each creamery does this independently, with one or two slight exceptions. Call this co-operative marketing if you will. European co-operative societies with their unions and federations and export companies suggest a further development of co-operative marketing in this country. It would not seem a very radical step for the creameries of Minnesota to federate into a co-operative marketing association, which would open its own office in New York or other eastern cities and distribute directly to retailers, thus eliminating the wholesaler, and turning back to the producer the profits that have always gone to the wholesaler. A comparatively small proportion of the 621 co-operative creameries in the state could finance such a scheme, if they were thoroughly awakened to the possibilities. The Minnesota creameries have the reputation of making the best butter in the United States. This is substantiated by the regularity with which Minnesota walks away with first prizes in competitive exhibitions. A little judicious advertising of this fact in eastern markets would undoubtedly create a steady demand for Minnesota dairy products.

There are other possibilities in such a co-operative marketing association. It might have its own system of inspection to maintain and improve the quality of the product; it might have its own uniform accounting and auditing system; it could open up new markets; it might even eventually establish its own retail stores. I am not so sure that a neat little store on Hennepin Avenue, selling the best butter made in Minnesota, fresh eggs,

cheese and perhaps poultry, would be doomed to failure.

This matter of a co-operative selling association has often been suggested. In fact one association actually began business, but not enough capital was raised to establish an eastern distributing point, and the creameries that ship through this association still rely on the wholesaler and make no saving. Another company has been formed, but as yet has not secured enough members to make the attempt. There are many obstacles in the way of the final consummation of such a scheme, but the possibilities are alluring, and it need occasion no surprise if a successful co-operative marketing association among the creameries of Minnesota should be established within the next few years.

COW-TESTING ASSOCIATIONS

Cow-testing associations are formed for the purpose of determining the profitableness of cows as milk producers; or rather, to determine which cows are unprofitable, so that they may be eliminated both as milk producers, and as possible breeders of future dairy cattle. Such an association must necessarily operate on a small scale; the usual mode of procedure is for some twenty-five or thirty farmers to club together to form a cow-testing association, and to hire a man to make the tests. The tester goes about from one farm to another and weighs the milk from each cow separately, tests it for butter fat, and also weighs the food fed to each animal. This must be done for each herd at least once a month, and inasmuch as it requires a whole day to test a single herd, the membership of the association is limited by the number of days in a month.

The first association of this nature in Minnesota was organized by farmer dairymen near Albert Lea in 1910, as a result of the efforts of the Dairy Division of the U. S. Department of Agriculture. Since that time some ten or eleven others have been organized, making twelve

in the state at present. The movement is important, therefore, more as suggesting possibilities for the future, than for what it has accomplished in the past.

BREEDING ASSOCIATIONS

Another form of co-operation that has to do with farm production is the breeding association. From the earliest days it has been a common practice for Minnesota farmers to club together for the purchase of a blooded bull or stallion for the purpose of improving their breeds of cattle or horses. Most of these clubs have been temporary in character and informal in organization. There has been a tendency during recent years to make these organizations more permanent in character, but there are still so many of an informal nature, that it is impossible to say how many there are in the state. There is another form of breeding association, however, usually known as Community Breeding Associations, whose function is not the co-operative purchase and use of pure bred sires, but the promotion of specialization in the raising of one particular breed of cattle, in order to give the community a reputation for that breed. There are twelve or fifteen such associations in the state at present, and some of them have already made their communities famous as headquarters for certain kinds of cattle.

FARMERS' ELEVATORS

It is in the marketing of farm products that co-operation has made the most noticeable strides during recent years, and it is in this field that we may look for important developments in the future. Perhaps the most important form of co-operative marketing that has developed is that of the farmers' grain elevator. During the early days of grain marketing the purchase and storage of grain at country points was taken in hand by the large companies of Minneapolis and other primary markets.

They built hundreds of elevators at shipping points throughout the state. They were on close terms with the railroads and received special privileges and rebates from them. They exploited the farmers by paying low prices for grain; by underweighing; by undergrading; by docking the farmer's grain too heavily on account of dirt and foul seed; and where two or more line elevators were situated at the same point, they agreed among themselves as to the price they would pay.

The farmers became aroused during the seventies and eighties; they brought about the establishment of the Railroad and Warehouse Commission; the passage of laws requiring state weighing and grading; and finally they entered the field themselves about 1890 and began to build their own elevators. In this attempt they met with many obstacles: it was hard to raise the necessary funds; they found it difficult to procure sites close to the railroads; and after building their elevators they found they could not get cars, although the line elevators were amply supplied; and the latter outbid them in the purchase of grain and drew their own members away from them. Add to these discouragements the lack of experience in co-operative effort, and the proverbial poor management of farmers' elevators, especially in the early days, and it is no wonder that many succumbed in the fight. The only wonder is that so many have survived, and that the movement has developed to the extent that it has.

There are about 340 so-called farmers' elevators in Minnesota today. The term farmers' elevator, however, is more or less of a misnomer. Many of them are merely stock companies owned by bankers and business men of country towns. Some of these started as real farmers' elevators, but were taken over in whole or in part during stormy times by business men who furnished better management and kept them in operation. There

are no accurate statistics as to the number that are really owned by farmers or that are purely co-operative in organization. Suffice it to say that there are many such elevators that are highly successful, and that the whole movement has been a direct benefit to the grain grower both in curbing the rapacity of the old-line elevators, and in cutting down the margin between producer's price and primary market price.

The farmers' elevator deals with the marketing of grain only at country points. It still has to be sold at the primary market. The usual method is for the farmers' elevator to consign its grain to commission men who sell on the floor of the Chamber of Commerce, and who receive for their services a commission which in the case of wheat, is one cent per bushel. It has often been suggested that farmers should extend their co-operative effort to the terminal market, establish their own selling agency, and save to themselves that part of the one cent commission represented by the profit of the commission man. Such an attempt is now under way, and deserves mention in a paper on Co-operation in Minnesota. The Equity Co-operative Exchange originated among members of the Equity Society of North Dakota, and the company is incorporated in that state. The type of organization is purely co-operative: each member is entitled to only one vote; the amount of stock that a member may own is limited; and after paying a stock dividend of eight per cent (considered the current rate of interest in North Dakota) the profits are to be divided on a patronage basis. This company set up an independent selling agency in Minneapolis, entirely outside of the Minneapolis Chamber of Commerce, and began business on August 1st, 1912. It weathered the Legislative investigation of last spring, and its shipments have been increasing during the past few months, though the majority of them come from the Dakotas. Inasmuch as

the powerful consumptive interests of Minneapolis decline to buy from this independent company, it is obliged to sell largely to outside mills. Since there are a number of such mills near Minneapolis, many of them of fair capacity, there is a possibility of developing such an outside market, at least to a certain extent. A considerable quantity of grain has also been sold to certain members of the Chamber of Commerce, known in the trade as "scalpers," who earn a livelihood by buying not only from outside sources, but also from members of the Chamber, and then by reselling at comparatively small margins of profit. It is too early to foresee the outcome of this movement, but it is an interesting experiment and deserves careful consideration both by farmers and by students of marketing problems.

LIVE-STOCK SHIPPING ASSOCIATIONS

One of the most recent developments in co-operative marketing is that of live-stock shipping associations. The usual method of marketing live-stock is for the farmer to sell his stock to a local buyer, who ships in carload lots to the commission men of South Saint Paul or other markets, who in turn sell to the packer. It is the local buyer that the co-operative shipping association seeks to eliminate, and eliminate him it does most effectively. It is very common for there to be four or five such stock buyers scouring the country tributary to each town or shipping point. The presence of a number of these buyers has meant a certain amount of competition which has tended to keep up the price paid to the farmer, but the local buyer has the expense of going about the country with horse and carriage or with automobile, and he often has an advantage over the farmer through his better knowledge of market conditions. He also has a trick of offering a lump price for a number of cattle together, and the offer may run into such large figures that the farmer is tempted to part with his cattle without

investigating the current market price, or even having his stock weighed.

In forming a live-stock shipping association, a manager is appointed to look after the shipments. The farmers inform him by telephone when they have stock to ship, and the manager notifies them when to have their stock at the shipping point. The animals are marked so as to designate the respective owners, and are shipped in carload lots on consignment to the commission man. Returns are made through the manager direct to the farmers after deductions have been made for freight, handling, commissions, etc. The manager is usually allowed six or eight or ten cents per hundred pounds for his services, amounting to perhaps ten or fifteen dollars per carload. The total expense of handling in this way runs from thirty to forty cents per hundred pounds, varying of course, with distance from market. The independent stock buyer usually gives the farmer from fifty cents to one dollar per hundred under the market. It may be roughly estimated that the farmer saves about forty cents per hundred, which on a thousand pound steer would amount to four dollars, a considerable saving.

The first shipping association was formed in 1908. Today there are nearly a hundred such associations in Minnesota. These organizations require no capital, because no equipment is necessary. They are usually voluntary associations, and are not run for profit, the whole returns being distributed among the farmers after each shipment, except for a small reserve fund that is maintained to cover losses from occasional deaths of animals en route.

It is estimated that the associations in existence in 1912 shipped more than \$4,000,000 worth of stock. The movement is spreading rapidly, and bids fair to become the usual method of stock shipping. The educational and organization work has been done principally by the

Extension Division of the University, and by the American Society of Equity. The agents of the Equity Society who have this matter in charge have designated one particular commission man of the nineteen doing business at South Saint Paul as the proper firm to consign shipments to, and the other commission men are becoming thoroughly aroused over the situation.

Some of the local associations in 1911 formed a central federation to aid in the organization of new associations, to give advice on specific points as they arise, and to afford a means of bringing the representatives of locals together for an annual convention.

EGG MARKETING

An interesting field for improvement in marketing methods is in connection with eggs. In most parts of Minnesota the farmer still persists in the primitive method of trading his eggs at the country store for groceries. In fact, most farmers are apparently well satisfied with this method, and do not prefer to obtain cash for their eggs. Perhaps they feel that they are getting something for nothing. This habit is so well established that there are many communities in Minnesota where, although they have co-operative creameries, the farmers withhold a part of their cream so that the overworked farmer's wife may have the pleasure of churning in order to make butter for the family and a surplus to take to the store to trade for supplies. The country stores sell as much of this butter and eggs as possible in the villages where they are located, and ship the rest to the larger cities. The eggs are often allowed to accumulate for some time before the merchant decides that he has enough to ship. And likewise with butter; in looking over the reports of freight shipments from a small Minnesota town last summer, I ran across an item of 250 pounds of butter, shipped by a merchant. I was informed that this merchant throws his unsold butter

into a bin or barrel in the basement of his store, and ships only two or three times a year. This butter is sold as "packing stock" to the centralizers who renovate it and sell it as cheap butter.

But some farmers are more enlightened in this respect. They get cash for all their cream at the creamery, buy back enough butter for their own consumption and take cash to the store to make their purchases. Others demand and are receiving cash for their eggs. Some seventeen communities market their eggs through their creameries. Others have organized formal egg-shipping associations. The usual *modus operandi* of an egg-shipping association is to require the members to collect and deliver eggs at stated frequent intervals; to stamp them or the packages in which they are packed with their initials or number, and sometimes with the date of gathering; they are then graded according to color and size, and packed in cartons instead of cases. In this way the highest market price is obtained; defective eggs can be traced back to the farmer shipping them. The system acts as an incentive to farmers to raise more hens; to develop better breeds; to gather the eggs more frequently; to consume the small eggs themselves, and to market only the larger ones. Country storekeepers are apt to look with disfavor on any such change from the orthodox system of egg marketing, for fear the increased amount of cash in the farmer's hands will lead him to make more purchases from catalogue houses. Far sighted merchants realize that anything which leads to greater prosperity of the farmer tends to bring them greater business. This new system of egg-marketing has not gained much ground as yet. It is destined to in the future.

CO-OPERATIVE POTATO WAREHOUSES

Another form of co-operative marketing that has recently begun to develop in Minnesota is the co-operative potato warehouse. The production of potatoes has

increased enormously during the past few years; and this crop has become the principal means of livelihood of many hundreds of farmers. Although there are regular market quotations for the different varieties, potatoes are of such varying quality, that they can not be graded so successfully as can wheat or corn or butter or livestock. For this reason the farmer often can not ascertain the exact market value of his crop, and he is more or less at the mercy of the buyer.

The wholesale dealers of the Twin Cities and Duluth send their buyers into the country, and purchase potatoes outright from the farmers. Many of these large handlers of potatoes own and operate their own lines of warehouses at country shipping points, analagous to the line elevators which handle grain. Oftentimes there are three or four such warehouses at a single station. Theoretically, competition between buyers tends to keep the local price up; practically, it is a simple matter for the buyers at any one point to have an understanding as to the price they will pay. When there is only one buyer at the local station, the farmer is at his mercy.

Warehouses at local points are necessary in the marketing of potatoes, both in order to assemble sufficient quantities for carload lots, and to hold them for shipment to primary markets until conditions are propitious. The main purpose of the farmers' co-operative warehouses and shipping associations is to render the farmer independent of the local buyer and to raise the price that the farmer receives for his potatoes. It is reported that in some cases where the farmers have started their own warehouse, the price of potatoes has risen from 15 to 20 cents per bushel.

There are probably about 15 or 18 co-operative warehouses that handle potatoes exclusively, and as many more that handle other kinds of garden truck, such as cabbages, onions, etc. These associations ship their

produce on consignment to commission firms in the Twin Cities and Duluth. In the spring of 1912 there was started the Minnesota Fruit Association, a co-operative organization of farmers with an office in Minneapolis, formed for the purpose of marketing fruit and vegetables for farmers and shipping associations. Many carloads of potatoes and other garden truck have been sold in this way at low commissions; mistakes in management during the first few months of operation nearly wrecked the company and cost it the allegiance of many of the original supporters. During the last six months, however, things have been going more smoothly, and large quantities of small fruits, apples and potatoes have been handled with satisfaction to shippers. This movement is of interest, because, as in the case of the Equity Co-operative Exchange, the farmers have attempted to extend their co-operative marketing from local shipping points to the terminal market. It is in this phase of co-operative marketing that we may look for the most spectacular developments in the future.

Closely allied to vegetable marketing, is fruit marketing. Fruit in general, however, is more perishable than vegetables, and requires more careful grading, packing, and marketing, and this can be done efficiently only through co-operation. The most successful examples of co-operation that we have in the United States are in the marketing of fruit. The reason that apples are often fed to the hogs by Minnesota farmers is that there is no efficient means of marketing them. And yet conditions in Minnesota are not such as to make the organization of fruit marketing associations a simple matter. It must be borne in mind that the successful associations of California and Washington and Oregon are in localities where growers specialize on some one crop. Practically the whole cultivated acreage is devoted to the raising of oranges, apples, peaches, etc. All growers have common

interests, and their combined shipments are of such volume that a co-operative warehouse and packing establishment can be operated with great efficiency. The conditions are different here. Those who raise fruit are relatively scattered, and they devote only a part of their acreage to fruit. The volume of shipments at any one point is not often sufficient to make co-operative marketing possible. And yet we have four fruit associations in the state, and there are undoubtedly other communities where co-operation is not only possible, but where it would serve as a stimulus to farmers to raise more fruit.

CO-OPERATIVE BUYING

Co-operative production and marketing aim to secure higher prices to the farmer for his products. Through co-operative buying the farmer aims to purchase his supplies at a lower price. In other words, the farmer is concerned with the reduction of prices to the consumer, especially in those cases where he is himself the consumer. Co-operative buying such as has been practiced by Minnesota farmers may be divided into two types: first, the occasional purchase of specific commodities, such as coal, flour, binder twine, farm machinery, etc., which are ordered in carload lots for immediate distribution among the farmers; and second, the continuous purchase of a large variety of commodities through the co-operative store.

In spite of the success attained in England and other foreign countries in co-operative stores, the movement has never been much of a success in this country. The early attempts which resulted from the Grange movement were particularly disastrous. It is probably safe to say that of the attempts to form co-operative stores more have failed than have succeeded. The movement is of special interest in Minnesota because of the activity of the Right Relationship League, a private company which promotes the organization of co-operative stores,

furnishes accounting and auditing systems to those stores who desire them, and edits a paper called "Co-operation." According to figures recently furnished by this company, it has organized 87 co-operative stores in Minnesota since it started in business in 1906; of these 87, there are 71 still in existence, many of them in flourishing condition; and 16 have gone out of business. Six of these 16 went into bankruptcy, and the other 10 sold out to private concerns. It is impossible to say how many other co-operative stores there are in Minnesota; probably at least 30 or 40, making over 100 in all. There is no form of co-operation which is so dependent for success on efficient management, and none which entails greater risk in its establishment.

FARMERS' MUTUAL FIRE INSURANCE

It has already been said that fire insurance was the first permanently successful form of co-operative effort among the farmers of Minnesota. Mr. V. N. Valgren, formerly an instructor at the University of Minnesota, and who has made a careful study of farmers' fire insurance companies, is authority for the statement that two companies were formed as early as 1867. At first such companies were not recognized by the state law, but an agitation for a legal basis resulted in the passage of an act authorizing the formation of "township mutual insurance companies" in 1875, in spite of the opposition of the insurance commissioner of the state at that time, and after the Governor of the state had vetoed a similar bill the year before. In 1878 the companies then in existence had \$924,000 of insurance in force. In 1912 there were 154 companies, with \$317,000,000 of insurance in force, which was practically double the amount in force ten years before.

The development of farmers' insurance companies of Minnesota has been marked by conscientious and conservative management. Since the law was passed in

1875, thirty-eight years ago, not a single company has failed to meet its obligations, although there were two companies which never fully organized, and which never entered on business. The cost of insurance has been very low, and the saving to the farmers has been substantial. The old-line companies have practically ceased soliciting the farm business, as they find it impossible to compete with the farmers' own companies. The average cost in the township mutuals in Minnesota in 1912 was 19 cents per hundred dollars. The rate of the stock companies which still solicit this business is 46 cents per hundred on three-year contracts. On the basis of \$317,000,000 of insurance in force, the township mutuals saved the farmers of the state \$856,000 in the year 1912. The actual saving is probably much greater than this, because the rates charged by the old-line companies have been forced down by the competition of the farmers' companies. Mr. Valgren estimated that up to 1910 the total saving for 35 years, allowing for the effect of competition in reducing the rate of old-line companies, and for compound interest on the premium charges saved from year to year, would probably be about \$20,000,000.

There are also seven mutual hail and cyclone insurance companies, of which farmers are members. In 1912 these companies carried \$7,000,000 of hail insurance, and \$47,000,000 of cyclone insurance.

RURAL TELEPHONES

One other important form of rural co-operation remains to be considered. Farmers' telephone companies have been increasing in number at a phenomenal rate during the past few years, and they are playing an important part in the development of better farming, better marketing, and better social life. In 1900 there were only 56 telephone companies of all kinds in Minnesota, and these were practically all in the larger cities and towns. It was not until 1904 that the number of com-

panies began to increase rapidly, and that year marks the beginning of the development of rural lines at a rapid rate. In 1905 there were 148 companies; in 1909, 350; in 1911, 590. Today there probably are 900 companies in all. Just how many of these are farmers' co-operative companies is impossible to say. The only source of information on telephone companies at present is the State Auditor's report, which lists all companies on whom the gross-earnings tax is levied, and the figures for 1911 are the latest available. In that year, of the 590 telephone companies listed, there were 239 in whose corporate names appeared either the word "farmers'," "rural," "co-operative," or "mutual." There are many farmers' lines, however, whose official names do not include any one of these four tell-tale words. Of the 590 companies in 1911 there were 534 which reported gross-earnings of less than \$1,500. The great majority of these are farmers' companies, although many are undoubtedly owned by the inhabitants of villages. The Auditor's returns show conclusively that farmers' telephone lines have been increasing at the rate of over 100 a year, and it may be safely inferred that there are over 700 such companies today.

The usual farmers' telephone line has no expensive exchanges or switch-boards to operate; it requires but little capital to install, although in addition to the first subscription of capital stock, the farmer usually has to buy his own instrument, costing him \$12 or \$13. The members put up with an inconceivable number of parties on one line, resulting in a Morse telegraphic code or rings for the different subscribers. The resulting cost of operation and maintenance is correspondingly small, sometimes not exceeding seven dollars per subscriber per year. And this often yields sufficient profit to allow a dividend on the few hundred dollars of capital stock. In spite of the shortcomings of such a system as measured

by city standards, the rural telephone has become one of the most powerful influences in rural betterment.

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With so many different forms of co-operative effort to record, the description of each one has had to be more or less cursory, and many interesting ventures such as a co-operative laundry, a lumber yard, a water supply system, etc., have had to be omitted. A complete survey of the field should also include a description of those numerous and highly important informal co-operative methods whereby farmers help each other in threshing, or in filling each other's silos, or in clubbing together to buy a threshing machine. Neither has it been possible to give exact statistics of the co-operative movement, because none exist. The State Legislature, at its last session passed a law directing and empowering the University of Minnesota to collect and disseminate all possible information about rural co-operation, and to secure annual reports from all co-operative organizations. This the University will attempt to do in the near future. Definite statistics are necessary to a proper understanding of the problem, and to a proper direction of effort in improving conditions and in furthering co-operative effort along safe and conservative lines. It would be of great assistance if we had statistics of failures as well as of successes. A study of the causes of failures is of nearly as great importance as a study of the methods of successful organization.

When failures have happened, the principal causes have undoubtedly been (1) poor management, (2) disloyalty on the part of members in the face of destructive competition, and (3) the lack of a true understanding of co-operative principles. These causes have often been accentuated by lack of harmony between members of different nationalities, by the disappointment of false hopes in the incipient states of an organization, and by

the constant shifting of population which has carried away old and reliable members, and brought new and unknown farmers into the community. The enumeration of these causes of failure suggests certain means of procedure for the future. The evil of poor management takes two forms: first, the hiring of inefficient men, due to the low salaries that farmers are willing to pay; and second, the use of poor accounting systems, and the keeping of these accounts by farmer members who have had no experience with even the simplest form of book-keeping. The necessity of better accounting methods is hard to overemphasize. There is perhaps no single feature of the co-operative system which needs greater attention. The University gives short courses in butter making, in traction engineering, etc., but it gives no instruction in the marketing of farm products, or the management of co-operative organizations. Why not give short courses to elevator managers, to creamery secretaries, to the managers of live-stock shipping associations, and teach them the principles of marketing, and the best method of keeping their accounts? This would of course involve a careful preliminary investigation as to the precise form of accounting which is best adapted to each form of organization.

The efforts of the University and of others interested in the development of co-operation should be along extremely conservative lines. It would be suicidal to start an agitation which would result in the rapid formation of numerous associations throughout the state. There is some slight danger that an awakened interest in this subject such as is sweeping over the country at present is likely to lead to some such unsubstantial movement. Our activities for the present, at least, should be mainly along investigational and educational lines. All questions concerning methods of marketing, form of organization, systems of accounts, etc., should first be studied

with a view of placing existing organizations on a firm footing. Educational work should consist not only of direct instruction given by the University, as suggested above, but also of carefully prepared descriptions of co-operative successes and failures, and of conservative statements of the principles and essentials of co-operation. In Denmark, Germany, and other countries, children are taught the principles of co-operation in the public schools. That might be a good scheme here. A simple manual dealing with the essentials of co-operation, the successes that have been attained, etc., together with a rudimentary explanation of how farm products are marketed, might prove effective in interesting rural school pupils along this line, and in preparing them for more efficient co-operative endeavor in the future. We must build for the future, and we must lay a firm foundation. The possibilities for development of co-operative enterprise are boundless, but we must be sure that this development takes place along safe and sane lines.

THE FARMERS' CORPORATION OF DASSEL, MINNESOTA

An Outline of the Work of the Organization to Date

BY THE SECRETARY, K. JOHNSON

There are few other farmers' co-operative enterprises within the state that have been so much spoken of as has been our work here at Dassel. The reason for this lies not so much in the magnitude of the same, but rather in the originality and in the variety of lines combined under one association and management. It was freely predicted long before this by many able and experienced men in co-operative work that it would be naturally impossible to run such an organization for any length of time,—that it would inevitably result in friction and dissatisfaction, and that consequently it would soon cease to exist. These predictions and misgivings have not come true to date, we are glad to say. On the other hand, our organization is now stronger than it ever was, our business is increasing right along, and the outlook for the future is good.

This idea of combining several different lines of work and business under one association, if it gets started right, is just as safe and safer than having a greater number of smaller associations working independently of each other. In fact, in our case this has really been the reason that we have been able to exist and prosper. As in diversified farming, when one branch or department is not doing so well, we have been able to fall back on the others for support. Moreover, in this way the whole work becomes more centralized and less cumbersome,

doing away with the several other smaller associations which would otherwise require much time and attention. Then, from the standpoint of up-keep, or running expenses, it is plain that the larger the business the more the income, the less the cost of operating, proportionately, and consequently the larger and more satisfactory the net returns to the patrons.

The Farmers' Corporation of Dassel first existed as a farmers' club. It had its inception and first start at a meeting at the school house in the village, February 24th, 1908, when speakers and organizers from the state experiment station and from the county helped to awaken interest in the farmers' club movement. The first temporary organization was then effected, and afterwards made permanent. At the same time similar clubs were started in every township in the county, with the idea of promoting the welfare and interests of the farmers of the whole county, as well as locally. Most of these clubs sooner or later ceased to exist, but a few of them did and are still doing active work and proving of much good to their respective communities. One of the most active ones was our club at Dassel. From the beginning it got busy, agitating for better farming and promoting co-operative movements. From the first the organization took on more of a business character, paying less attention to the social side, since it was evident that the business end of farming in our community was mostly in need of betterment. Several meetings were held the first year. The township of Collinwood was consolidated with our club, making the whole more effective. In the first year's work we find movements and agitation for pure seed grain, better roads, and the commencing of a testing association. The next year we find this work carried further, and attention being paid to better dairy stock. This latter resulted in the getting together and tuberculin testing of about 150 head of cattle around Dassel,

under the auspices of the club. Later in the season the carton egg selling was started, which afterward grew to be of such importance and country-wide interest. We believe this was the first strictly co-operative egg-selling association of its kind in America. It has proved to be a great success. The following year saw the further growth of our activity. The cow-testing work and the egg trade being especially looked after, and a good deal of other educational work carried on. It was beginning to be quite a job for the farmer officers, especially the secretary, to attend to this in addition to their regular farm work. However, interest never lagged, and the beginning of the next year, 1911, saw more work taken up. Co-operative stock shipping had been talked up a good deal and was now put into actual practice. At this period, however, the club made a careful and wise move, that of reorganizing and incorporating under the state laws. Instead of continuing on the club plan, with a membership list and dues, which were very hard to collect, resulting in an uncertain waxing and waning of the membership, regular certificates of stock were issued and sold. This gave us the necessary funds to make a start. Before this we had to get along on borrowed money. Our membership dues were small and did not amount to much in comparison with the work to be done. We tried to raise the dues gradually from 25 cents to a dollar a year finally, with the result that we got less and less members.

In February, 1911, the Farmers' Corporation was incorporated, with a capital stock limited to \$350,000, giving us plenty of elbow room for further growth and development. The shares were issued at five dollars each, bearing interest at six per cent, subject to annulment if decided. Not more than 100 shares can be held by one shareholder, and only one vote to each one, no matter how many shares he holds. One special clause in the

by-laws provides that no dividends shall ever be paid on the capital stock. If it is found at any time necessary to declare a dividend, it shall always be paid to each one according to the amount of business he has done in that department of the Corporation earning the dividend.

The articles of incorporation are so drawn up that it gives the company the right to carry on any kind of business that might naturally come within its scope of work in the future. The name, The Farmers' Corporation, perhaps a little odd, was chosen in order to have a short handy name, and to get away from the legal necessity of having the word "incorporated" added to the firm name, the word "Corporation" serving the same purpose.

The shares of stock were readily taken. At the annual meeting following we had 113 shares sold. One year after that, at our last annual meeting, the number was 224, or nearly doubled. As there are only a few that hold more than one share it shows that there are quite a number of farmers making up our organization. By having it this way, the farmer or member paying in his five dollars at the start, becomes a permanent member and stays with us all the time, there are no troublesome dues to collect, and there is no danger of the concern going out of existence for lack of membership, as is the trouble with so many farmers' clubs. The main reason for incorporating, however, was not for this reason so much as for the protection it provides, and the recognition before the law, should the occasion come. Unless a concern of this kind is incorporated it would have no recourse at law if any of its employees or any of the firms it deals with prove crooked, and as there are often big sums at stake this protection is important.

Our activity after incorporating was greatly increased. Stock shipping was given a good start, the egg trade kept on growing and a seed department was established.

The first year of incorporation was a hummer. More experience was gained in every line as we went along. And in our case we had to learn from experience, as there was no precedent to go by, except in the stock shipping, in which we got valuable assistance from the shipping association at Litchfield, which had been at work for some time before we started.

Last year, 1912, was our first full year of business under the new order of things and it will perhaps be interesting to see just what was accomplished. It should first be stated that we obtained suitable quarters in town for our business, and a competent manager engaged to conduct the same. He is a young, hustling fellow, quite well acquainted with the people and conditions here, as well as with the nature of co-operative work in general, and so far has certainly made good. The office of manager in a concern of this kind is not only of the greatest importance, but also a difficult one, requiring considerable tact.

Some of the new lines taken up during the past year in addition to those previously engaged in were the machinery department, and poultry dressing. In the egg business, the first started of the different lines, we find that during 1912 there were handled 42,690 dozen, with a value of \$9,410.54. These were practically all carton eggs. If we figure only two cents per dozen received more on these eggs than would have been the regular trade price for them we notice that the net gain to the farmers, over and above running expenses, amounts to over \$800. Then it should be mentioned that the local produce concern competing with us also handles carton eggs, imitating our style as nearly as they dared, so that the net gain easily exceeds \$1,000 on eggs alone. Then in poultry dressing and shipping we just made a trial, and on the two months of active work in this line there were handled 164 coops of chickens and 6,000 pounds of

turkeys, worth \$2,560, bringing the total for eggs and poultry up to \$11,970.54. Our eggs and poultry trade this year greatly exceeds that of last year.

The machinery line was also a new venture, and although the total in this line amounts to only \$1,454.37, it still has been the means of saving considerable money to all farmers buying machinery, whether they bought of us or of the other dealers here, who have been cutting their prices to meet our competition. For instance, in mowers, where the price used to be \$45 to \$48, they are now selling around \$40, our concern having sold some for \$37, and making money at that. The same holds true in binders, spreaders, and other farm machinery, in many cases saving the buyers from ten to twenty-five dollars on each machine. Thus money is saved to those buying from the dealers as well as to those buying from us. Our machinery business so far this year has been immense, and will amount to thousands of dollars. We aim to handle only the very best makes of machines.

A good business was also done in the seed line. In seed corn alone the value was \$10,200, the barley oats, clover seed, flax, and other seeds bringing the total up to \$11,968.63. Noticing that there was a considerable risk and learning that it was a pretty hard thing to handle on a big scale without more experience, at the same time having some unforeseen difficulty in a property deal here, we had to close down considerably on the seed business, so that the amount this year will not be so large.

Besides eggs, poultry, seeds, and machinery, other farm produce such as hides, wool, etc., were also handled. The bulk of our business, however, was in the stock shipping. The total number of cars shipped during the year was 39. The total number of animals being 2,542, of which 248 were cows, 78 steers and bulls, 461 veals, 1,704 hogs, and 51 sheep. The total value in the stock shipping during the year amounts to \$45,709.74.

The totals of the different lines of business carried on

during the year of 1912 amounts to \$71,603.28, which may be called a quite respectable sum, considering that it was the second year after incorporating, and that we have only a small territory to draw from. If we should begin to figure up just about how much our organization here is actually worth each year to the farmers in this community, we could conservatively state that it meant something like \$5,000 in clear profits to the farmers last year more than otherwise would have been possible. This represents only what has been gained in the getting of better markets. What has been gained in the added stimulus to better farming, in increased farm values, and in the good repute of the locality, is hard to estimate.

It will be impossible to go very much into details of operating, within the limits of this article. However, a few general suggestions will be in order. First it may be said that we try to avoid as much as possible all friction with the other merchants and business men in the town. We always aim to work in harmony if it can be done. We consider the main object of our organization to be the getting of better markets and market facilities for the products of the farm, and let competition take care of the things that go on to the farm and that we have to buy. Thus we do not want to handle groceries, clothing, or such commodities in any way whatsoever. It is only in the machinery line that we saw the need of some change, and as practically the only other machine dealer in town had yards in other places, and had made a fortune in his business, we did not feel that we should hesitate out of sympathy for him. Lately some of the best jobbers have turned their business over to us instead, evidently foreseeing that we are here to stay.

We have also made mistakes, and had to before we could succeed. Thus in the carton egg business, we discontinued the stamping of each individual egg, as we found it undesirable, the stamping of each carton

was fully sufficient. We also gave up the monthly payment system for the eggs, as the farmers evidently did not take to it very well. There were also a number of other regulations, both in the egg trade and in the other work, that we had to alter. In the stock shipping we made a bad mistake to start with in that we permitted our first manager to also buy stock outright for himself and ship in the same carload. We finally had to discontinue that, and our present manager is not allowed to buy outright any stock whatever. All has to be shipped co-operatively. Our former manager now buys and ships for himself, but the farmers stand by their concern loyally.

On the whole, our corporation is a success. Not only do we get the prices that we are entitled to, but it also teaches the farmer to raise better stock, better grain, to do better farming, and also makes him more acquainted with market conditions, and a better business man all around. It shows in the fine herds of stock coming into the country, in the fine flocks of purebred poultry where the barnyard mixture used to predominate. More than this, it affords a foundation or organization by which the farmers are able to act together whenever there is anything needing concerted action. It promotes harmony and a better social feeling. It has required a great deal of work to get as far as this, but the future is easier, and there is no question but that if the men can be found who are willing to devote their time and work to the same, there is a place in every town for such an organization as this.

This article has been confined chiefly to giving an outline of the organization and of the results accomplished. Anyone more directly interested in any of the details, the by-laws, incorporation, and the other regulations, are invited to correspond, either with the writer, or with the Extension Division, University Farm, St. Paul, where prompt and able assistance can be had in promoting any movements of this nature.

CO-OPERATION IN WOOL MARKETING

BY MAGNUS BROWN

The Minnesota Wool Growers' Association began the marketing of their product in a collective way for the purpose of eliminating some of the abuses that seemed inevitable under the plan in vogue. While the association was trying to build up a successful method of marketing their product, the agitation for cheaper clothing and other products made from wool, together with the general impression entertained by the people that the reason why pure, substantial woolen fabrics were generally outside the reach of the ordinary consumer was because of the high price of wool, impelled the officers of the association to look into the cost of producing wool in the state.

The method employed was this. They hired representative flock-masters in various parts of the state to keep what would be called, in a manufacturing establishment, a "shop record" of the time, feed, and pasturage charge against the flock. This charge only included, and did include any and all time put in in caring for the flock that was necessary for its legitimate maintenance.

The aggregate time consumed during the year was 488½ hours, and the average size of the flocks was 77 head. The time was charged for at the rate of 20c per hour. The feed consumed was kept track of in the same exact manner, together with the charge for pasturage, the feed being charged up at the average market price for the locality. To these charges was also added one of 5% for the use of the estimated portion of the farm capital used in this branch.

From the total of these charges was deducted the value of the stock sold and any net increase in the flock, if there should be any, the balance of the cost of maintenance being charged to the wool clip. Upon this basis we found that our best Minnesota wools were costing us approximately 26c per pound to produce. Now the question was, could this wool, costing several cents more to produce than the average price received by the grower, be made into the things used by the people and sold to them at a price they could afford to pay.

In the effort to find out, the wool was taken direct from the farmer to the mill, where it was made into blankets, mackinaw for coats, pantaloons and shirting material, such portion of the material going direct to the garment factory from the mill which was required for making garments, and from there sent direct to the consumer at the cost of production, plus a small charge for distribution. We found that we could not only pay the grower the 26c per pound which our figures showed his wool cost him to produce, but we could also save the consumer considerable in price besides giving him a better article than was usually obtainable. To say that this plan was worked out and put in operation without considerable trouble and interference from those whose interests lie between the producer and consumer, goes without saying. That it also worked toward the reducing of the cost of living, and at the same time increased the returns of the producer of the essential raw material was a very desirable feature from our point of view.

One thing that became apparent, as a result of our experience, was the discrepancy between what we found to be the cost of our product and what the farm schools and agricultural papers always lead us to believe it was. We also believed we saw in this plan a possibility of automatically adjusting production to consumptive needs. If

the principle was carried through the various processes of production, of giving those employed in such processes a uniform, standard wage, the ultimate price would be practically based on a labor exchange, and every consumer, actually as well as theoretically, obtain his woolen products at cost of production.

Many things were discovered as a result of our efforts to develop a comprehensive and effective co-operative organization. We decided to locate the warehouse, which we considered a necessity, in a small town where it would be directly under the supervision of the farmers themselves. We found though, that the freight rates on wool from this point to the eastern consumptive centers were considerably higher than they were from the Twin Cities or the Minnesota Transfer. In addition to the handicap of a considerably higher rate east, we also had the additional one of a comparatively high rate from the Minnesota Transfer into Farmington, where the warehouse was located. Before building our warehouse we went to the officials of the two railroads running through the town and asked them if they would give us the same rates the Twin Cities had if we built a warehouse and did give to the growers of wool throughout the state whatever advantages accrued from a more scientific and economical handling of their wool. We showed them, as an argument in favor of their co-operation, that the state did not produce more than a third of the wool it consumed, that adding a small flock of sheep, say from 25 to 40 head, to every farm in the state would add at least 800 pounds to the net tonnage the railroads would receive from each farm, and at the present time, as a result of the instability of the price of wool, and the comparative unprofitableness of wool production as compared with others of the farm, the flocks of the state were actually declining. And, finally, that it was only a matter of justice that we who raised the wool

should be put on the same rate basis as the dealers, for our efforts tended to build up the industry, while their practices tended to destroy it.

Upon these representations we were promised by the officials of the roads that as soon as we had our warehouse complete and successfully doing business, we would be given the same rates as the Twin Cities and Transfer. When we did finally complete the warehouse and show that we were able to handle wool co-operatively, and by such co-operative marketing improve the clip of the locality from which we handled the wool, and also save directly to the growers any commissions and advance in price that accrued, the reader can easily imagine the disappointment that followed a refusal on the part of the railroads to carry out their promises. I am going into the details of this occurrence to show the lack of faith displayed by the railroads in dealing with the farmer, and also their lack of intelligence in dealing with the problem of farm production.

I am in hopes some of the great railway magnates will see this article and have perception enough to change from their noisy admonitions to the farmer to blindly increase his production, to one of a constructive business policy that will place him on at least an equal footing with the dealers in the congested centers of population as regards the transportation of his products.

In fact, this attitude of the railroads is characteristic of the attitude of all business interests not directly interested in farming as an occupation. The writer was placed at the state capitol during the last session of the legislature, to help along the enactment of suitable laws for the incorporation and supervision of co-operative organizations, and a comprehensive loan and credit association law. As lawyers are taking a very active and somewhat prominent part in all so-called educational movements for the betterment of the farmers, (but pri-

marily for the reducing of the cost of living) the futility of looking to such sources for knowledge that will solve a problem that requires honesty and scientific perception can best be illustrated by the experience of the writer while on the committee before the legislature.

Bills covering subjects upon which legislation was desired would be drawn by supposedly competent attorneys, aided by laymen who thoroughly understood the needs of the particular branch of industry the proposed law was supposed to benefit. This bill, carefully drawn by competent men of experience, would be taken to various lawyer members of the legislature for their opinions and comments, and the one surprising feature was the utter lack of unanimity in opinion regarding either the necessity for, or effectiveness of, the proposed law. This was so puzzling to the writer that he sought an explanation from an ex-judge, who is quite prominent in the state, and he gave as an explanation that, "Among lawyers it is considered unethical to agree." Perhaps old Abe Lincoln was not so far wrong after all. It is barely possible that the substitution of a class of men for tutors and lawmakers, who have a different ethical code, might make for greater progress toward the solution of the problem of the cost of living than we are making at present.

One more incident that may be suggestive to a thoughtful person will do to close this article. A young man who had been working under the Extension Division of the Agricultural Department of the State University, told the writer that in investigating the cost of maintaining a flock of sheep for a year, he found that this particular flock showed a net loss for that time of forty-seven dollars and some cents. The fact that these losses are concealed by the school has a tendency to discredit it in the eyes of the average farmer. With mistaken zeal, in an effort to reduce the cost of living, the faculty may

feel that by ignoring certain facts they can obliterate them. This pre-eminently American trait of trying to abolish conditions we do not like by ignoring them, has had a sorry effect compared to the energy expended in trying to increase the percentage of farm production.

Why would it not be better to abandon our cowardly and dishonest policy of treating agricultural problems and place that industry on the same economic footing recognized as necessary to the success of other industries? If the farm colleges would look the matter of farm cost squarely in the face, and by a system of fair, comprehensive, and intelligent investigation determine what should be a standard of farm efficiency upon which to base the initial living cost, or price of farm products that should be received by the producer, and then follow those products through the channels of distribution, and point out unnecessary handling or distributive charges that were not based on the same comparative scale of efficiency as determined upon for the farmer, then the solution of the problem of the cost of living would be in sight, for the people would make short work of eliminating unnecessary charges against the cost of living when they once found where they occurred.

CO-OPERATION AT HAYFIELD

BY GEORGE WICKER

When requested by your secretary to prepare a paper for this meeting I debated with myself the wisdom of accepting the invitation to appear before such a learned assembly to discuss a subject of such great importance as "Co-operation." However, upon the advice of my friends and associates in the work at Hayfield, I decided to submit my humble tribute in the hope that if the cause could not be benefited by the story of our small successes it might be of advantage to others to avoid some of the mistakes we have made, and also to endorse a work which finds so many loyal and industrious workers in the state of Minnesota.

Dodge county is one of the smallest counties in the state, being comprised of only twelve townships, but is blessed with great fertility of soil and a location in close proximity to the great markets of the country. We have no cities; our villages are small and depend entirely on the farmers tributary thereto for patronage. Our only industry is the raising of food supplies. Perhaps a more typically agricultural community cannot be found within the state.

Under these conditions it is only natural that the problem of how to market the products of the farm to the best advantage and how to make farm life more comfortable and more profitable, should engage our thoughts quite seriously.

We are deeply interested in increasing the yield of our acres, in decreasing the cost of production, in improved machinery and better buildings, in soil chemistry, tillage,

fertilizers, crop rotation, diversified farming and all of the studies which tend to increase the quantity and quality of the products of the farm and to improve the conditions of farm life. We are no longer satisfied, however, to be told that successful farming means to raise two blades of grass where one grew before and then when we come to market to sell for less than the cost of production. We are learning to adopt business methods not only in the individual conduct of the farm but also in collective buying and selling as practiced through the co-operative association.

We disclaim the socialistic theory of equal distribution; we realize the impossibility of the "brotherly love" sentiment in an age so materialistic and selfish as this; we see the idealistic co-operative commonwealth only in the dim and distant future and we have no illusions of any sort, but we look upon co-operation as a simple common-sense proposition of doing something for ourselves instead of permitting others to do us. We are not versed in the ways of high finance; we know nothing of watered stock or inflated values; we argue about a protective tariff and free trade, the trust problem and the currency bill, and every two years we elect our representatives to the legislature and congress to transact for us the business of government while we apply our heads and hands and hearts to performing the duties which lie nearest to us and upon the performance of which depends our success as farmers.

It has been said that "necessity is the mother of invention," which adage may also be applied to the organization of most of our co-operative associations. It is noticeable that co-operation is generally introduced into fields and lines of business controlled by large corporations, operated in lines which do not compete with each other and which control prices of the commodity they handle in the territory in which they operate, as for

instance, line elevators, lumber yards, creameries, etc. Such were the conditions in the southern part of Dodge county before the establishment of our several co-operative companies.

The first venture in co-operation in our county was the Vernon-Edda Township Mutual Insurance Company. This company was organized in 1875 and operated until 1877 under a mutual agreement and without a charter. In 1878 this company carried risks of \$46,132 and at the end of the year after all losses and expenses had been paid had a balance in the treasury of \$26.45. From this small beginning the company has grown until in 1912 it carried risks amounting to \$1,674,478, covering 901 policies, and after paying all losses and expenses had left in the treasury a balance of \$2,789.34. The rate of premium is 50 cents per \$100.00 for five years, and during its 35 years of business the company has levied only two assessments. Losses paid in 1912 amounted to \$8,924.10. It is estimated that this company has saved its members \$75,000.00 from the rates which would have been charged by the old line companies.

In 1889 the Vernon Co-operative Creamery Company was organized with a capital stock of \$5,000.00, divided into shares of \$1.00 each and sold to the farmers in numbers equal to the number of dairy cows kept by the patron. This company was organized in opposition to certain Twin City creamery companies which had gained absolute control of the dairy interests of the community by dividing the territory and establishing definite geographical limits within which they did not compete with each other. The Vernon creamery company has enjoyed a steady growth until now it serves over four hundred patrons to whom it paid last year more than \$135,000.00. It operates thirteen cream routes covering several townships, has a new and substantial brick factory completely equipped with up-to-date machinery and all the sanitary

arrangements. During its existence of 24 years it has paid to its patrons over \$1,500,000.00. Compare such an institution with its payment of monthly cream checks with the old dash churn and the old system of barter and trade. Not only have the patrons of this company enjoyed the highest prices for their dairy products but the monthly cream check has proved a great benefit to the community and especially to the men engaged in business in our villages.

The Hayfield Farmers' Elevator was incorporated in 1896 and purchased the plant of a line company. This company has a membership of 210 with a paid-in capital of less than \$3,000.00. Since its establishment it has handled 2,004,582 bushels of grain and seed. It has maintained a good market against hard competition and besides erecting a new elevator, valued at about \$8,000.00, has paid to its stockholders dividends aggregating 200 per cent on the paid-in capital.

What the Hayfield Farmers' Elevator Company has saved to the community in the establishment of active competition is difficult to determine. A former line elevator manager who operated in competition with the farmers' company has stated that it would reach at least \$75,000.00. The policy of the company is to pay the patrons the highest market price, to maintain grades and give the best possible service.

Following this came the organization of the Farmers' Interurban Telephone Company which connects nearly every home in five townships with a convenient means of communication. This company is operated under the assessment plan, the patrons paying the exact cost of the service. It has connections with all the local telephone exchanges and long distance lines and from a small company starting with only twelve charter members has grown until today the entire community for miles around enjoys the service provided. The capital stock is \$25.00

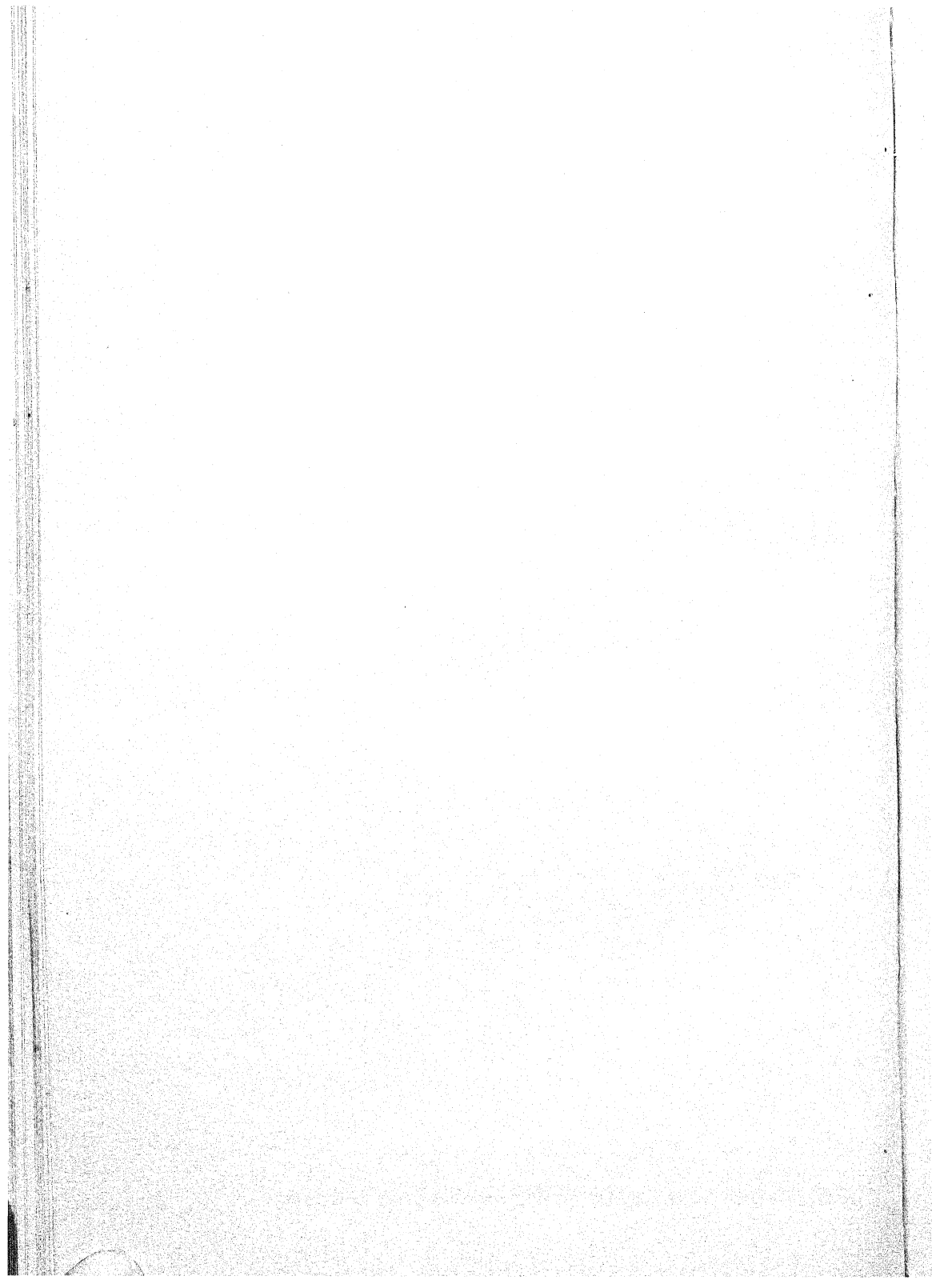
per share, all of which is invested in its lines and extensions.

The latest venture in our community was the organization of the Hayfield Lumber Company, incorporated in 1907 to deal in building material and fuel, and which it has been my privilege to serve as manager since the beginning. The original investment in this company was \$7,000.00, later increased to \$8,200.00, the shares being \$10.00 each. The company is comprised of about six hundred members. In 1907 our sales aggregated only \$14,464.02, owing to our inability to purchase stock on the open market and to the violent competition established by line yards in the territory. Our competitors freely predicted our failure within ninety days but we have managed to live to see several of our competitors drop out. Our business has increased rapidly until the present year when our annual report for the fiscal year ending October 31, 1913, showed sales to the amount of \$59,342.28. The company is incorporated under the general laws of the state and is operated on a profit paying margin. In 1911 we had accumulated an undivided profits fund more than equal to our paid-in capital and since the business had grown to such an extent that the original investment was not sufficient to accommodate the volume of business, it was voted by the stockholders to double our paid-in capital and a stock dividend of 100 per cent was declared. This action increased our paid-in capital to \$16,400.00 and placed the company on a sound working basis. We have few provisions in our by-laws common to the co-operative company. Our shares of stock are \$10.00 each par value and held by residents of the community in which we operate. Ownership in the company is limited to twenty shares and each stockholder has only one vote. Twenty per cent of the net earnings each year are put aside as a contingent fund, and this fund is not accessible for the paying of

dividends but is intended as a permanent fund to increase the capital of the company as the business increases. Our contingent fund at the present time amounts to \$4,093.11 and our undivided profits have accumulated to \$6,900.38. During the seven years the company has operated it has sold lumber and fuel to the amount of \$274,560.58. We are doing a flourishing and profitable business and the company promises to be the most profitable of any of our undertakings. In our other companies we go onto the market as producers and this is our first venture in co-operative work as consumers.

Gentlemen, I have been requested to confine my remarks to 15 or 20 minutes and have been able to present only a very brief outline of our several companies. The results of such a work in the community cannot be estimated in dollars and cents, as there are many other advantages to the community besides the financial profits derived. Our companies are financed at home, we labor for the upbuilding of our community and whatever profits are derived from our labors are returned to those who have contributed to our success. We have hoped that such work could be promoted under the supervision of the state and at the last session of the legislature, Senator Thoe, president of two of our institutions, presented and secured passage of a bill for that purpose and in the hope that the benefits of co-operation now enjoyed by a few communities in the state could be extended more generally and more rapidly than would be possible through individual work. A field of almost unlimited possibilities is before us. In our community we have worked almost entirely in the interests of the producer but we look forward to the time when a more direct communication between producer and consumer will be effected, the cost of living reduced and when the toiler whether on the farm or in the factory will receive adequate and proper returns for his labor. Co-operation

cannot remedy all of the ills of mankind, but it can eliminate many of the unnecessary and unnatural causes for the great increase in the price of our food supply from producer to consumer to the mutual advantage of both.



Third Session

CO-OPERATION ABROAD

NEIGHBORHOOD CO-OPERATION AS
A BASIS FOR PERMANENCE IN
AGRICULTURE, WITH INCIDENT-
AL REFERENCE TO LEADING AM-
ERICAN ORGANIZATIONS.

THE CO-OPERATIVE MOVEMENT

CO-OPERATION ABROAD

By E. A. WEBB

European farmers are much better organized than they are in America. They have received the cordial support of their governments and this public recognition has done much to encourage co-operative enterprise, both economic and social. Evidence of this and the remarkable growth of the movement abroad is illustrated by the fact that during the past summer 600 delegates were present at the Glasgow Conference of the International Co-operative Alliance. These 600 delegates represented 20,000,000 members of co-operative societies.

Co-operation, wherever it has been practiced, was born of necessity; the outgrowth of conditions which harassed and perplexed individuals, and these units, being drawn together by common interests, have sought unitedly to secure advantages to themselves which they were unable to accomplish unaided and alone. It has been a combination of persons rather than a combination of capital in which any number of individuals can work collectively for the solution of a problem common to all.

Englishmen were the first to unite and organize co-operative societies in an effective way and succeeded best in distribution in the form of co-operative stores for workmen's families, but although they were the first, the results, barring one notable exception, have been negligible, compared with the progress made upon the continent.

In Germany and Italy the co-operative movement has found expression in the organization of rural credit associations or banks from whom the tradespeople and farm-

ers could secure credit for long or short periods at reasonable rates of interest, payable usually upon the amortization plan.

In agricultural countries like Denmark and Belgium it has taken the form of purely agricultural co-operative societies.

The first co-operative society we find was established in England in 1794 by Shute Barrington, a bishop of Durham, at Mongewell in Oxfordshire, but there was little popular appreciation of the movement in this direction until the Owenite agitation of 1820-1845, when hundreds of societies were formed and the principles of co-operation took definite shape. It was not until 1844, however, that any substantial progress was made. In that year twenty-eight weavers, nearly all Socialists of the Owen School, founded the Rochdale Society with £28 capital, the most successful of all English Co-operative Associations, having enjoyed a steady growth in membership; over a million members from last available figures. Beyond this, the English have not made much progress in establishing co-operative societies. Reasons for this are given which have to do with British nature. Men who have given study to the problem aver that farmers in Great Britain do not co-operate because they will not, co-operation being against their tradition, their ideas and their prejudices. One reason for this may be found in their system of land tenure and will continue perhaps so long as immense land holdings are maintained. Ireland has experienced such a change in land ownership and with this change has come a decided trend toward co-operative effort. In a recent bulletin, the writer, commenting on English apathy on the subject of co-operation, shrewdly observes that tenant farmers do not co-operate because co-operative accounts are open to inspection and a prosperous year might result in an increase in rents.

Notwithstanding this, in the half century since agricultural workers abroad have secured to themselves the advantages of co-operation, it has transformed whole countries, economically, from a condition of poverty and want to one of prosperous plenty. No country has given a more illuminating example of this than little Denmark.

In 1880 Denmark was in such financial straits as to be on the verge of bankruptcy, but the realization of this fact by her people led to the solution of their financial plight by the adoption of the principles of co-operation, a course which consistently and intelligently followed has worked out for them a most wonderful transformation with the present highest per capita wealth of any European country.

From the bulletin of the International Institute of Agriculture of 1909, I find the following interesting data:

DANISH CO-OPERATIVE SOCIETIES IN 1909

	Number of Societies	Number of Members
Dairies	1,157	157,000
Bacon Curing Societies.....	34	95,000
Societies for Purchase of Require- ments	15	70,000
Societies for Cattle Export.....		8,400
Societies for Egg Export.....		52,000
Societies for Horse Breeding.....	270	21,500
Societies for Cattle Breeding.....	1,260	31,300
Societies for Pig Breeding.....	253	6,430
Societies for Sheep Breeding.....	102	850
Control Societies	519	12,000

The first Co-operative Dairies in Denmark were founded in 1882 and the first Co-operative Bacon Factory in 1887.

There are six societies which devote themselves to the exportation of butter without the help of the middleman. From 1900 to 1909 the business of these societies rose

from \$6,372,915 to \$8,866,665, while in 1909 the Co-operative Creameries in Denmark were valued at \$9,421,145.

The dairies are managed by the votes of the members and in 94 per cent of these dairies each member has an equal voice or vote.

The Control Societies, of which there are 519, and Live Stock Improvement Societies, are the only ones subsidized by the state. The first Control Society was organized in 1895 and the object is to keep an accurate account of the milking capacities of every cow belonging to members. The societies send out skilled women who test all cows belonging to members once in two weeks and direct how the cows are to be fed and cared for. In 1909, 226,000 cows were "supervised." To these and to societies for the improvement of Live Stock the state granted a subsidy of over 1,000,000 kroner (\$277,000). Figures are given for the year named of an average annual milk return per head for cows supervised of 5,756 pounds against 5,120 pounds per head for cows not supervised, giving an average of 636 pounds of milk per year excess to the Control Cow, or 23 pounds of butter annually.

Thus it is seen that through state aid to dairymen (financial and supervisory) dairying has been placed in the front rank of profitable Danish agricultural pursuits.

The bacon industry is another co-operative enterprise of immense proportions.

In one of the Danish bacon-curing establishments which I visited two years ago sixty-four thousand hogs were slaughtered that year, and this is only one of a group of eight factories working together, having their selling representative in London where practically all the pork is marketed. The combined company is known as the Danish Bacon Company. The bacon is of a superior quality and commands a ready sale in London.

It is sold at retail there for about 29 cents a pound.

This factory represents an investment of \$45,000. It began 22 years ago with 700 members and now numbers 4,000 members. It is not a stock company and started without capital. The original 700 members, farmers, entered into a contract, each one to deliver from two to one hundred pigs a year to the factory, and upon those farmers' contracts the banks were ready to advance the necessary money to build and equip the factory.

This co-operative system does not end with a benefit to the factory and its patrons only. The customers in England, or wherever they are, also participate in its profits. Everyone buying from shops selling the Danish bacon products is credited with every purchase made, and such registered customers have likewise for a period of years averaged a 6 per cent dividend annually upon the amount of their purchases. This encourages buying from the company's stores, and everyone associated receives a benefit.

Co-operation in Denmark has been a logical development as the Danish people have become educated in the habit of working together. This co-operation has not only been applied to the production and marketing phases of agriculture, but has likewise been applied to the purchasing of all manner of supplies. All of the co-operative societies in Denmark are grouped under one supply organization known as the United Co-operative Supply Association, which comprises 800 local societies. There is also maintained in Denmark a Farmers' Co-operative Purchase Federation with 4,000 farmer members who buy all manner of supplies, and sell all kinds of produce through a central agency in Copenhagen. The complete organization of Danish agriculture, and the application of the co-operative idea to all of its phases is shown by the fact that it is not at all uncommon for one Danish farmer to belong to 9 or 10 co-operative societies,

each society being limited to one single function. These societies in turn are organized into federations and in many cases these federations serve as educational centers for the distribution of information as well as for the specific purpose for which they were organized.

Denmark is simply one example, illustrating the application of the co-operative principle. In a modified way, depending on local problems and the particular needs of the co-operators, the general principle has been applied in nearly all European countries.

Thus we find today that there are 3,800 co-operative societies in France, 2,600 such societies in Germany, 11,500 in Austria, 7,500 in Russia and 5,000 in Hungary. In Germany the Imperial Union now comprises 20,000 societies. In Great Britain there is a total of 26,000 societies. A most striking example of recent development of the co-operative movement is to be found in the case of Ireland. In 1894, Sir Horace Plunkett inaugurated the agricultural co-operative movement in Ireland, chief attention being paid to the co-operative butter societies. There are now 1,000 such societies in Ireland with 95,000 members, and their success has almost transformed agricultural conditions in that country. It is interesting to note that the aggression of Danish and other foreign co-operative societies in the Irish markets furnished the stimulus for co-operation in Ireland, and it is the history of the entire co-operative movement that farmers will not co-operate until they are forced to do so.

It is impossible to review European co-operation in any brief way. The movement is entirely too complicated and extensive to permit of anything but the most exhaustive description. It is applied to the simplest forms of agricultural work, as, for instance, the purchase of seed or fertilization, in marketing of eggs, or butter, and is likewise applied to nearly everything that the farmer produces, buys or sells.

Not the least interesting form of European co-operation is the matter of credit in banking.

The Raiffeisen and other systems of co-operative credit associations have been so frequently described as to need no further comment on my part. Co-operation gives to the peasant farmer the only opportunity he could possibly secure for the financing of his farming operations or for the acquirement of property, as it gives financial credit for personal integrity, his chief asset but not a bankable one, through the ordinary commercial channels.

Agricultural co-operation has grown so rapidly throughout Europe for two general reasons: First, by eliminating waste and increasing the efficiency of the market. Through its own educational value co-operation has assured the co-operator a stable and satisfactory financial return for his toil, which would otherwise be impossible. Second, the solution of the financial problem has automatically solved most of the other farm problems. In business, in the labor world, in city life, it is the common thing for people to be organized either socially or industrially. City people live and work collectively. The farmer, by the very nature of his calling, is an individualist, and being unorganized must work under a handicap as compared with organized industries. True co-operation, as applied to agriculture, comes the nearest to solving the natural handicaps under which the average farmer works. It enables him to feed the world at minimum cost to the consumer and maximum return to himself.

So pronounced have been the benefits of co-operation abroad that nearly all European countries have made it a practice to subsidize and encourage its growth in every possible way. The development of the co-operative movement, judging from this European experience, is the only logical method of giving to the worker his just due without recourse to other methods of organizations which are experimental and pregnant with danger.

NEIGHBORHOOD CO-OPERATION

BY J. C. CALDWELL

In the subject assigned to me I have the credit as "Special Investigator of the Subject of Land Credits." This, no doubt, refers to my work as the Minnesota member of the American Commission which for several months during the early part of this year were investigating agricultural conditions in European countries.

There are some here who have some knowledge of the inception, purpose and actual work of this Commission. I believe, however, that a brief review to many here would be interesting, instructive and appreciated.

It is because of the origin, indorsement, scope and importance of our work that I do so. I deem it a duty to our State. Further I am encouraged to do so, as I believe it in keeping with the work of our Academy of Social Sciences, which has for its object "The Study of Economic, Political, Social and Historical Questions particularly affecting the State of Minnesota."

In the early part of the year 1912 the Southern Commercial Congress, an organization that has for its object "The Physical Recovery of the South," made application to the Department of State of the United States to detail the American Delegate Honorable David Lubin to the International Institute of Rome, Italy, to call a conference on Agricultural Finance to be held under the auspices of the Southern Commercial Congress at Nashville, Tennessee, April 1, 1912. The conference was held. Twenty-seven states were represented through delegates. The writer was the only representative pres-

ent from Minnesota. After six days of deliberation resolutions were unanimously adopted providing for an American Commission to go to Europe. All of the states were called upon to take part on this commission. Thirty-six states responded with seventy-six delegates. To co-operate with the American Commission, Congress, in the agricultural bill, provided for a Federal Commission of seven to be appointed by the President of the United States.

The indorsements received by the American Commission were as follows:

The Three Political Parties.

Ex-President Roosevelt.

Ex-President Taft.

President Wilson.

United States Congress.

House of Governors.

Farmers' Union.

National Grange.

Farmers' National Congress.

Trans-Mississippi Commercial Congress.

Chamber of Congress of United States.

National Drainage Congress.

The Department of State.

The Southern Association of Agricultural Workers.

The American Association of Commercial Executives.

The International Institute of Agriculture, Rome, Italy.

As a consequence of this indorsement the highest official recognition was extended to the commission throughout Europe. But you will permit me to emphasize here that as the progenitor of the entire movement was David Lubin, the permanent American delegate to the International Institute of Agriculture at Rome, Italy.

On this commission we had farmers, representatives of Universities and Agricultural Colleges, Bankers, Editors,

Economists and Statisticians, Social Workers and members of Congress. From my viewpoint we had the practical, theoretical, economic, philosophical, financial and legislative. The value of these different attitudes of mind is at once discernible—no grounds for the criticism that our final report to America would be the product of preconceived ideas and biased minds.

The Commission set sail from New York harbor April 26, 1913. On board the ship daily meetings were arranged and definite plans laid out for investigation in Europe. We organized into four sections, viz: Finance, Production, Distribution and Country Life. The writer had the honor and responsibility of chairmanship of the section on Production. As to the importance of Production there can be no disagreement. It is basic. It is the foundation of happy, prosperous and contented homes—the rock of civilization.

The countries visited were Italy, Hungary, Austria, Germany, Switzerland, Belgium, Holland, Denmark, Sweden, Norway, France, Russia, England, Ireland, Scotland and a group was sent into Spain and one into Egypt. It was at no small expense that all this was carried out—Money on the part of the American Commission—Money on the part of the European countries. The expense of the American Commission was incurred with but few exceptions by the individual members, amounting in most cases to \$1,500.00 each, or a general total of \$115,000.00. European countries must have expended an equal amount, making a grand total of \$230,000.00. Viewed under the aspect of expenditure alone, by the individual members of the American Commission and the European countries gives our work a seriousness that demands respect and appreciation.

The question arises how was it made possible that the Commission could gather much value in the brief time of three months? In reply would say for a year prior to

the landing of the Commission in Rome, Italy, each of the European countries was busy preparing information and arranging local programs. For instance, Italy through her parliament was taxed the sum of \$5,000.00 to be expended in securing the services of experts on the subjects to be investigated. Municipalities and communities also contributed additional money for this purpose.

They took up research work that valuable up-to-date data might be obtained and embodied in circular, pamphlet and booklet form to be laid at the feet, dedicated to the American Commission upon their arrival. They secured speakers who were masters of the different subjects to deliver lectures. These speeches were also printed in pamphlet form and handed to the Commission. Thousands of pages, yes, hundreds of pounds of literature were thus dedicated to the Commission. This was shipped to Washington, D. C., to the office rooms of the American Commission in the Southern building. Each of the European countries also provided at their own expense a number of efficient interpreters and stenographers.

In all my experience I never lived a more strenuous life. From early in the morning until late in the afternoon the time was taken up in lecture halls or out in the country investigating farm conditions. In the evening, receptions and banquets were extended to the Commission.

I review this that you may have some conception and a deep conviction of the importance of the work undertaken by the Commission, which was truly representative of the Agricultural interests of our great country.

The purpose of the Commission it is true, primarily, was to study co-operation in relation to Rural Finance but our investigations covered a much larger scope, viz: what had been accomplished for agriculture through

voluntary co-operative organizations, government aid and otherwise.

You see we were in search of *true values*. Here I am reminded of a story of true values. What are you searching after with those long mental fingers? was asked Shakespeare. "I have seen how the corn of human nature grows upon the stalk of life, and I am plucking at the heart of this mystery." What are those great hands grasping after, O Beethoven? "I am dreaming of unblended harmonies my deaf ears have never heard and these hands are trying to pluck them from out the invisible realms of harmony." Why run those hands up into the sleeve of darkness, O Milton? They seem to be straining after something. "Worlds of light lie behind these dead eyes of mine. I have seen an angel and heard him sing, and these hands are fumbling about in darkness hunting for words to tell about the song." What are those majestic hands reaching after, O Angelo? "I need a few bars of light, a few bursts of the morning, a few scraps of sunset to show man how God paints pictures. I am plucking the golden ears of color from nature's garden to hang up in the picture gallery."

However blind, deaf, ignorant or unqualified, we were earnestly and seriously in search of true values. It took effort, time and money. We do not ask or expect any personal reward or reimbursement of any kind. No. Emphatically, no. Nothing further than the simple consciousness that our investigations may contribute greatly to our country's knowledge about agriculture, and in the long run will be of great value in aiding the American farmer to industrialize agriculture and bring the production of our country up to the high standard production existing in the European countries.

Prior to our work abroad the American Commission, desirous of obtaining as full and complete a report as possible of the present needs of agriculture in each of

the United States, wrote a letter to the governor of each state asking that a committee might be appointed to report to them on this subject. A great many states have already responded.

That the painstaking, costly and voluminous amount of facts we obtained might be carefully, ably and thoroughly digested, a compilation committee of five and an advisory board of eight were appointed to compile into one volume, if possible, the investigations of the commission, to be distributed throughout our entire country.

Since the early part of August the compilation committee have been hard at work digesting all this matter, which will be available near the close of this year.

At the close of our tour the resolutions which were unanimously adopted disclosed the fact of the deep conviction in the hearts and minds of the entire commission of the great importance and the necessity of co-ordinated industrial agricultural organizations to this country.

It is in neighborhood co-operation that we believe is the true basis for permanence in agriculture in our own United States. Whatever the form of neighborhood co-operation may be, it must be of a type that eliminates such elements of weakness as government aid, socialism, paternalism and gifts; a form of organization adaptable to American rural conditions, environments and temperaments; an organization that binds the people together in each neighborhood leaving no vague lines as to latitude and longitude; a form that knits the members together in an organization based upon sound industrial business principles.

That eminent authority in law, Chief Justice Marshall, in his definition of a corporation indicates the element of permanency that should be incorporated in whatever organization we would apply to rural life, viz: immortality. He says:

"A corporation is an artificial being, invisible,

intangible, and existing only in contemplation of law. Being the mere creature of law, it possesses only those properties which the charter of its creation confers upon it, either expressly or as incidental to its very existence. These are such as are supposed best calculated to effect the object for which it was created. Among the most important are immortality, and, if the expression may be allowed, individuality; properties by which a perpetual succession of many persons are considered as the same, and may act as a single individual. They enable a corporation to manage its own affairs, and to hold property without the perplexing intricacies, the hazardous and endless necessity, of perpetual conveyances for the purpose of transmitting it from hand to hand. It is chiefly for the purpose of clothing bodies of men, in succession, with these qualities and capacities, that corporations were invented, and are in use. By these means, a perpetual succession of individuals are capable of acting for the promotion of the particular object, like one immortal being."

Here we have pointed out to us the essential elements of permanence and unity; an organization that may exist for all time and act as one body in all matters concerning its best interests. This accomplished, you have a sound business organization, a social organism, a true rural community; an organism that will feel the loss or injury of one or more of its members, and on the other hand the strength of additional members; a rural community united and tied so that it can promote common interests and unite people in their defense.

For years I have had practical experience in the work of organizing, fostering and managing co-operative corporations of a rural community, viz: marketing, distri-

bution, production and credit I know something of the initiative, the struggle and the value of this work.

To cease your efforts to organize farmers in a community for one purpose only will not give you a true neighborhood organism. You must organize the farmers in a given district into a co-operative corporation in every business in connection with the farmer's calling. He must be organized so as to develop and absorb all business in connection with his rural life.

Organization must continue in a given community until they come to feel their real unity. They must feel identity of interest along business, civic and social lines. He will soon learn that to work for the common interests is to work for his own highest and best welfare.

Some may say this is idealism. Yes, it is. But, it is possible because all experience has proven it practicable. Would that every one in quest of a great civilization would become the torch bearer of this kind of idealism.

In my opinion he must have this ambition if he would have the great superstructure of American agriculture built upon a foundation so permanent that it will not crumble with time. It is imperative that every one who aims to be a true rural farmer have ambition of this character.

You observe that I have used the word "re-form" and so the question arises, what do you mean by "re-form" as we have applied the term?

First, I would say because the corporate form of organization advocated must be co-operative. By this I mean instead of giving money the power of franchise, it is abolished and given to the individual.

Second, instead of distributing the net earnings of the corporation on the basis of money, it is distributed on the basis of patronage and efficient service.

A full discussion showing the contradistinction of the co-operative corporation and the old-time and existing

combination corporation must at once show the self-help, the justice, the righteousness, and equitable character of the former and the sordid, greedy, destroying and exploiting character of the latter. Suffice it to say that the co-operative rural neighborhood corporation affords the poorest laboring man an equal opportunity to become the agency of his own fortune, as the more well-to-do or even the wealthy. At the same time it does not ask nor expect or in any way unjustly retard the legitimate efforts of the strong, not even the rich.

I do not wish anything I have said to be construed that I take the position that the farmer should be organized in such a way that he should dominate over other classes, in any of the matters of general welfare. It is a federation of men and women, not a combination of money.

No class should be permitted to so combine that our government becomes a system of oligarchy. The application of the principles of true co-operation prevents this, and at the same time places a given class in a position of self-defense and renders them a fighting entity in all questions concerning their welfare.

No more uncertain are the shifting sands of the desert than a great superstructure of agriculture built upon any other foundation than that of co-ordinated rural neighborhood organization.

The hand of science has gone out in the field of agriculture, teaching the individual farmer the benefits of the knowledge of the bacteriology and acidity of the soils, etc., the science of stock-raising and that of highways and the architecture of buildings. In short, its benefits in all matters concerning agriculture. We ask ourselves the question: Must this in time all fail, decay and crumble to the dust, which it certainly will in the course of time if the farmer remains the isolated, unprotected individualistic, separate atom such as he is today. No, all this splendid work must have the highest utility, be con-

served, riveted and clinched and become immune to every force that would destroy it.

The farmer must organize, not only in his own support but for the welfare of our great American civilization.

In this respect we have notable object lessons of co-ordinated neighborhood rural organizations in the European countries to which I have referred, and despite the failures along the same line in our own state and country we have many living examples of success which will guide us along the difficult, but safe path.

I refer to the 200 or more successful co-operative marketing organizations (elevator companies) in our own state. There are other states that have many more organizations of the same type. We point with pride to hundreds of co-operative creamery companies of the same co-operative character in this and other states. I would also refer you to the many successful co-operative mercantile corporations which have been organized, and fostered through the initiative and deep interest taken by the Right Relationship League of Minneapolis, a private concern.

There are several other types of successful rural neighborhood co-operative organizations. I have in mind one of which I would simply mention, that is the co-operative laundry company in connection with the Farmers' Co-operative Creamery Company at Chatfield, Minn. I have just been reading that this was the offspring, so to speak, of the Farmers' Club in that county. Our own rural neighborhood will soon have one organized after the same pattern. The initial steps have already been taken, which is backed by a strong sentiment among the farmers.

The question may be in the mind of some what do you know or what plan can you suggest whereby a rural neighborhood may organize for purposes of credit?

About seven years ago I reorganized the First National Bank of Lakefield, Minn., as near the co-operative lines as the National Banking Act would permit. The nearest I could come under the law was in the matter of distributing the stock among the farmers, limiting by a gentlemen's agreement the maximum number of shares that any one could buy to the number of shares necessary to be a director. In all I had 70 farmers thus organized for purposes of credit. As you know we have no statute, either state or national, that will permit our commercial banks to organize along and apply the principles.

I will now read to you a few suggestions of a law that I think should be endorsed by Congress. It is designed to give you something specific of the kind of law that I believe will work a great reform and at the same time would not interfere with our present banking system. It would only support and protect those voluntary banking institutions of the people that might organize under this statute. I cannot understand how any true statesman can be opposed to a law that will protect voluntary organizations of this character. In my judgment, if there is an opposition its character is so selfish that it amounts to piracy. I will read you the law.

THE LAW

Any number of persons, not less than ten, are hereby authorized to organize and incorporate a national bank, under and pursuant to the national banking laws of the United States and subject to the regulations thereof, except as herein provided. Such incorporators are hereby authorized to adopt articles of incorporation providing, in addition to the provisions now required by law and in lieu of provisions inconsistent herewith the following:

First. At all meetings of stockholders of

such banking corporation, each owner of stock of such corporation shall be entitled to one and only one vote irrespective of the number of shares of such stock owned by such stockholder.

Second. The net profits of such banking corporation, available and set aside for the payment of dividends, shall be distributed as follows:

A. To each owner of stock of such corporation shall first be paid a dividend equal to the interest upon the par value of the shares of stock owned by such owner of stock computed at the rate of interest generally prevailing in the community where such bank is located, if said profits are sufficient for that purpose; otherwise to be paid to each owner of such stock pro rata, computed as above specified.

B. The balance of such profits if any, shall be distributed among the patrons of such bank, in proportion to the amount of business transacted with such bank, by patron; provided, however, that in such distribution the share owning patrons shall take at a rate twice as great as that paid to non-share owning patrons.

In all other respects such banking corporation shall conform to and be governed by the General Laws in force governing national banks.

This act shall not be construed as a repeal or amendment of any portion of the national banking laws now in force, or which may hereafter be enacted, but shall be supplementary thereto.

LONG TIME LOANS NEEDED

Banks of this character, however, would not meet the long term land mortgages to which our farmers are entitled. Any system of long term land mortgage that we might incorporate into this country I would want them to be of the self-help character, the co-operative idea

rather than the government aid. Yes, the farmer because of his security, is entitled to a far better system than the unjust system of farm mortgages, that exists at present. Why is it that we have cheap rate, long term municipal, county, state and national bonds; why is it that we have cheap rate, long term, railroad bonds and industrial bonds, utility bonds, etc., but we hear nothing about a cheap rate, long time, land mortgage loan? Is it because that the investor has no confidence in farming lands security? No intelligent person would believe this. Our own farm land valuations amount to a total of \$40,000,000,000 and the loans against them are only \$6,000,000,000, a margin of security offered by scarcely any of the existing bonds.

I have been told by experts who have made surveys of rural neighborhood conditions that our community at Lakefield, Jackson County, Minnesota, has come nearer to any other thus far in complete rural co-operative neighborhood organizations. The aim of the true rural reformer should be to have a full, complete, organized and united rural population, all tied together, federated much the same as our federal government. It has been truthfully stated that if the co-operative European principles which are applied in the colossal structure of their rural neighborhood ever fired the hearts of American patriots, colossal as their structure is in those foreign countries, it would be but the Alpha compared with what would be accomplished in the United States under the impetus, vigor and nerve that characterizes people of this country.

THE CO-OPERATIVE MOVEMENT

BY GEORGE KEEN

The social instinct is inherent in humanity. It is dominant or recessive according to the conditions of life of the period. The extent to which it is developed, and the form in which it is manifested, are substantially determined by the primary needs of society at the time. It is said that the intelligent operation of the social instinct, the capacity shown by human beings to act together for their common advantage, is one of the principal characteristics which distinguish them, so far as the natural world is concerned, from the brute creation. If it were otherwise the dominion of man over other creatures would be impossible.

The modern co-operative movement is a logical manifestation of the innate social instinct. It had its occasion in the industrial revolution of the last quarter of the eighteenth century. Its form was determined by the economic necessities of the period. Its development has been largely influenced by the trend of economic events and conditions in the meantime.

It will be remembered that in or about the year 1770 a great and fundamental change occurred in the methods of production. That period ushered in the mechanical age. Prior thereto the human factor was the principal element in industry. Merchandise was produced to a great extent in the homes of the people. The humble manufacturer produced merchandise by his own hands, with the assistance of those of the members of his family and of his apprentices who, in due course, became self-employed manufacturers also. The working manufac-

turer stood in a position somewhat similar to that of our farmers of today. Natural affection insured regard for the moral and physical welfare of the people of his own blood employed by him. As a rule he regarded himself as also standing in loco parentis to his other helpers. The introduction of machinery brought about a transformation. The property in merchandise passed from the humble producer to the owner of the new mechanical instruments of production. The pride of the individual manufacturer in the character he put into his work, and the skill and efficiency it represented, went forever. In its place came production for profit, production by many hired workers in the operation of machinery, a large proportion being women and children of tender years; production in which there was no interest but that of gain by the owners of the capital. Wealth production increased enormously. Not only was it so, but a fact which should have operated to the advantage of the industrial population, if equity in industry had been guaranteed by the state, was used as a weapon to its injury. Machine production, greatly increasing the output, and consequently the national wealth, had also the effect of reducing the demand for labor and the need of individual skill and experience. The consequent competition for employment frequently reduced the reward for labor to a price below what was necessary for the maintenance of the physical efficiency of the workers and the realization of the natural expectation of life. In its train inevitably followed a serious decadence in the character of the people. The remarkable increase in the wealth of the few, and the loss of comfort and of character of the many, through the revolutionary changes in the methods of production, was the occasion of the genesis of the co-operative movement.

Co-operators regard Robert Owen as the originator of their movement. Owen, born in North Wales in 1771,

was not only the architect of his own fortune, but the greatest captain of industry of his day. He witnessed the birth of what is now called the capitalist system, correctly diagnosed its influence upon society, and suggested a remedy for the social chaos and economic anarchy which has since resulted from its development; a plan whereby modern economies in production and organization might be utilized, morally, physically and mentally, for the benefit of humanity. Owen did not entertain the materialistic conception of history, nor did he believe that the mind of man is necessarily dominated by his economic needs. He was, however, strongly attached to the idea that the moral character of man is inevitably influenced by his material environment. A choice plant, removed from its natural to a vitiated atmosphere, cannot be expected to thrive or to give to its owner the pleasure he would enjoy were it left in an environment suited to it. That its inherent qualities will be retained, notwithstanding deterioration in appearance, will be demonstrated by its return to its natural atmosphere, but so long as it remains under unsuitable conditions it will suffer, and if left too long will die. While the simile is my own, I believe it correctly interprets the attitude of Owen to the manifestation and development of human character. He saw in the capitalist system of production an unsuitable social atmosphere, and the root cause of the decay in the character of the people. Owen's doctrine of national environment was accepted by many of the most eminent men of his day. The Duke of Kent, father of Queen Victoria, one of Owen's most enthusiastic and faithful supporters, saw in him, and I am quoting his own words, "a philosopher who has discovered a science of society in which it should be impossible for a man to be depraved and poor and where competence should be obtained without competition." The Duke further declared that should he come to the throne, he

would give what effect he could to Mr. Owen's principles.

While Owen is regarded as the father of the co-operative movement, his own experiments, although successfully demonstrated, particularly in the case of his remarkable achievements at New Lanark, had no permanent effect. His paternity is recognized for the reason that the pioneers of the movement, as now understood, were influenced and inspired by his teachings, and animated by his ambition for the development of character, and the evolution of a co-operative commonwealth. Notwithstanding the value of Owen's principles, the mortality of co-operative societies and communities during the Owenite period, that is to say in the first half of the last century, approximated to the current experience on this continent. The weakness, in my judgment, of the Owenite co-operative plan was the absence of democratic control, and the sense of individual responsibility by the members themselves in the initiation and management of the societies and communities, and the fact that, being communistic in design, giving to each an equal advantage, irrespective of the extent to which each had contributed to the result, it was far in advance of the times and did not command the popular approval necessary to success.

The constructive period of the modern co-operative movement may be said to have commenced with the organization of the Equitable Pioneers' Co-operative Society at Rochdale, England, in 1844. Consisting, at its inception, of twenty-eight poor weavers, each contributing by four cents per week to an initial capital of \$140.00, that modest organization is the recognized source of the international social and economic phenomenon, which commands world-wide interest and respect today. In starting the little store, the object of the society was not only to procure the necessities of life of guaranteed purity and as cheaply as good quality would permit, but

it was declared to be the acquisition of houses for the occupation of members, the manufacture of merchandise, and the cultivation of land for the employment of those in need of work. The final declaration of objects was that "as soon as practicable this society shall proceed to arrange the powers of production and distribution, education and government, or, in other words, to establish a self-supporting home colony of united interests or assist other societies in establishing such colonies." The Rochdale Pioneers apparently looked to the communism of Owen as the ultimate goal, but, untutored as they were, they showed practical common sense in their immediate methods. Prior to the advent of the Rochdale Pioneers, the organizers of co-operative societies were usually attached to the communal idea of property in land and goods. Co-operators were expected to contribute equally in capital and were entitled to enjoy equally in advantages; the principal purpose being, in many cases, to accumulate the profits of distribution to provide capital for communal production. The communal principle may be the ideal state of society, but it implies an ideal people prepared to practice it, and this type we have not, as yet, evolved. The "famous twenty-eight," a term co-operators apply to the Rochdale Pioneers, were not academic visionaries. While they were animated by unselfish zeal for the betterment of the working class to which they belonged, as working men they had a practical understanding of the strength and the weakness of the section of society of which they formed a part. Such knowledge and experience was not enjoyed by those unselfish souls who, while taking a self-sacrificing and often paternal interest in working class welfare, and possessed of highly cultivated intelligence, were men whose circumstances and social environment were far removed from the arena of that intense struggle for the actual means of subsistence which was the lot of the

working men of the period. While the ethical and fraternal basis of the movement was retained, collective individualism was substituted for common ownership and enjoyment. Their plan was to co-operate for mutual advantage, but to reward according to individual merit; that is to say, they decided to pay a fixed interest or rent for the use of capital, and to divide the difference between the actual cost of purchasing and distributing merchandise and the selling price, commonly called profit, after appropriations to educational and other social uses, between the members in proportion to the extent each had contributed thereto by his purchases. "Each for all and all for each" is the motto of the International Co-operative Movement, but, under the Rochdale plan, each is expected to work for all, and all for the advantage of each to the end that each shall enjoy the benefits arising from associated endeavors to the extent each has contributed thereto by his trade, patronage or service.

This plan of participation of the Rochdale Pioneers is the generally accepted method in the co-operative world today. The British co-operative superstructure erected on the Rochdale foundation has now developed into what former British Premier Earl Rosebery once rather aptly described as "a state within a state." The statistics for 1912 published by the British Co-operative Union disclose an aggregate membership of 2,876,892. Members are usually heads of families, and, if we take an average of four to each household, the co-operative population of Britain may now be said to be about eleven millions, or one-fourth of the inhabitants of the United Kingdom, and that the most industrious, intelligent and self-respecting of the working and lower middle class population. The sales of the retail societies affiliated with the British Union were, last year, \$392,280,490, the share capital \$173,713,455, and profits \$59,787,110. It was ascertained that 771 retail societies were, during

the year, engaged in production to the extent of \$41,423,780. Thereto must be added the output of the productive departments of the two great wholesale societies, the constituent proprietors of which are the retail societies, and of the individual productive societies amounting to \$68,431,055, or a grand productive aggregate of \$109,854,835. To ascertain the actual transactions of the British movement, it is necessary to add to the figures quoted the distributive trade of the two wholesale societies and of certain special or miscellaneous societies, bringing up the total to \$614,427,055, the net profits thereon being \$66,446,530. The return also shows that the British movement provides employment for 77,905 distributive, and 57,285 productive workers, or a total of 135,190. It is conceded by the trades union authorities that such workers enjoy, as to hours, price and conditions of labor, treatment as ideal as it is possible to provide in a national economic atmosphere which is still overwhelmingly capitalistic, and such treatment is of value outside the co-operative movement, as providing a basis and a reason for securing better terms from capitalistic employers. Last year the British movement donated from its profits \$490,845 to the education of co-operators, and \$357,930 to charitable purposes.

From the inception of the British movement in 1844 to 1862 there does not seem to be any reliable record in existence of the progress made, but from the latter year to 1911 the total trade done was \$11,522,125,300 at an aggregate profit of \$1,275,849,225. British co-operators have used fifty million dollars of their funds to build houses for members, and in assisting members to build for themselves. This, of course, takes no account of the thousands of co-operators who have from the financial resources, probably a much greater amount provided for them by the co-operative movement, but without borrowing from it, built their own homes. Many

people have literally eaten and clothed themselves and their families into homes, that is to say, by allowing their purchase dividends to remain on deposit to be compounded at 5%, or thereabouts, and hypothecating what would otherwise be paid in rent to interest on mortgages, they have become possessed of homes without contributing one cent to the principal. The peculiarity is that outside the movement the more a man serves the state by raising a large family and, consequently, the more need he has for a comfortable home, the less chance he has of acquiring one; inside the movement the bigger the family the more must his income be expended in those commodities in primary demand for the satisfaction of the needs of the body which the movement supplies and, therefore, the sooner will his dwelling be free from incumbrance, and without any effort on his part.

This is the land of "big business" and some of you will, no doubt, measure the significance of the colossal achievements of British co-operators by those of the principal controllers of industry in your country. In doing so, it should be borne in mind, that, in purchasing power, the figures given exceed by at least 50% the actual value of the American equivalent, that American "big business" is not a natural growth from a common source, but the simple fusion of interests by joint-stock methods of a number of individual undertakings, separately organized and developed by different firms; that British co-operators have not been permitted by law to charge upon other industries a tariff tax, in other words an addition to price unrepresented by value, and that co-operative "big business" has been developed in a country with half the population of the United States, and possessing natural resources in magnitude and variety falling far short of those of this wonderful republic. Bear in mind, too, that the remarkable statistics I have quoted do not illustrate the result of the organization

of so-called great captains of industry. They are, on the contrary, an enduring monument to the associated intelligence, and the enthusiasm for the common good of the common people. It was recently declared by one of the leading British daily newspapers that the co-operative movement is far more democratic in control and management than the state, and it would be as well to remember that while its chief executives receive salaries not exceeding in American purchasing power \$3,000.00 each per annum, and control the use and expenditure of hundreds of millions of dollars per annum, the graft and corruption with which we are familiar in the industrial and financial life of this continent is absolutely unknown. I do not mean thereby that misappropriation by individual employes has not been experienced, for it would be absurd to guarantee the impeccability of every one in a movement employing 135,000 people, but that, notwithstanding the moderate remuneration paid to the leaders, conspiracies between them to swing the financial resources of the movement, or for the exploitation of trade and privileges for their private advantage, are neither recorded nor suspected.

On the continent of Europe, and elsewhere, rapid strides are being made in the economic application of the principles of genuine co-operation, but time will not permit me to go into details. I may say, however, that at the recent Congress at Glasgow, it was declared the International Co-operative Movement now consists of about twenty million members located in nearly every civilized country, thereby making it the most universal and, as we claim, the most beneficial and fraternal force in the world.

The prevailing method of co-operation, that is to say, by the payment of a fixed rate for the use of capital, and the distribution of the surplus, called profit, in proportion to the extent each unit has contributed thereto, has been

applied to a great variety of activities. In town planning and housing estates, profit on rentals is divided among the occupiers in proportion to the rent paid by each, and in agricultural, productive and marketing societies in proportion to the value of the commodities supplied thereto by the members respectively. In labor co-partnership factories the ratio of distribution is usually determined by the wages of each worker, although, in some cases, the consumers, through their retail societies, rank equally for division with the productive workers, a dollar of purchase being generally treated, for the purposes of dividend, on the same basis as a dollar of wages. It appears to me that the labor co-partnership plan will operate as an important feature in the ultimate solution of the problem caused by the depletion of the rural districts, and the consequent tendency to a decline of production in the face of an increased demand. The "back to the land" slogan cannot be successful if it means the worker on land is to be a mere labor commodity bought by a capitalist farmer for his own profit. The average landless and moneyless worker, who hopes to raise his family in decency and comfort, cannot accumulate, under modern conditions of life, within a reasonable time, sufficient capital to enable him to enter the ranks of the self-employed agriculturists. If interest were paid on the capital value of the farm and its equivalent, an equitable salary awarded for the value of the executive service, and the skill of the managing farmer, reasonable wages granted to the hired workers and the surplus profits distributed in proportion to the fixed remuneration of each, that is to say to the extent to which each has contributed to the result, an incentive would be given to agricultural production, and the social spirit thereby generated would lead to other developments adding to the attractions of country life. In this connection I would also suggest that the credit bank system of co-operation, as practiced so

successfully and extensively in Germany and other European countries, that is to say for the use for productive purposes of those who are in need of accommodation, instead of for the profit of intermediate financial corporations who operate the savings of the people, would materially contribute to the desired result.

Last week the director of the recently established Co-operative Organization Branch of the Government of Saskatchewan wrote me, "will you kindly inform me what your union regards as the distinctive characteristic, the possession of which marks an association as truly co-operative and the lack of which will bar it from recognition as a co-operative concern? There seems to be a great lack of uniformity of opinion on this matter and I should like to know your position regarding it." That is a question which frequently arises on this continent, and, at times, I see contention in the press on the subject.

The Rochdale plan, while the most popular and familiar form of co-operation, is not an infallible doctrine, the rejection of which involves excommunication from our great international brotherhood. All that can be claimed for it is that co-operative development has been coincident with its inauguration and general practice, that its advantage to the individual stimulates associative action and loyalty, and that it is capable of successful application to most forms of enterprise. It may also be said in its favor that the equity of the method is such that it avoids, where men seek to do what is right, the conflict of opinion and consequent disunity which may otherwise arise. As an illustration of its value, I might mention that it enables the Co-operative Wholesale Society of England and the Scottish Co-operative Wholesale Society, organizations absolutely distinct in membership, capital and control, each running its own wholesale departments, factories and mills, to act as one in the foreign markets, to establish a large cocoa factory at

Luton, England, the greatest wholesale tea department in the world in London, England, and jointly to own and cultivate several tea plantations in Ceylon. The Rochdale method would enable all the co-operative wholesale societies of Europe, the members of which speak different languages, and are subject to the influence of various racial characteristics, to establish and amicably direct, with perfect satisfaction to all, industrial, financial, or commercial organizations as one institution, whenever the economic interest of all European co-operators suggested joint action to be desirable. There are forms of genuine co-operation to which the Rochdale plan could not be applied. Take, for example, credit. A hundred industrious but impecunious land cultivators might form themselves into a society for the purpose of charging their joint credit at a bank to raise capital for the productive purposes of each. In such a society there would be no profit to divide. A number of agriculturists might co-operate to place their individual productions jointly on the market. To finance the machinery of sale and collection, they might find it necessary to go to a bank and raise, for the society loan, capital on their joint notes. In that case, while the Rochdale plan might be applied to the division of profits on sale, there would be no interest on capital, for none would be invested.

A genuine co-operative society must be democratic in control and direction; democratic in fact as well as in name. It would be desirable that it should be democratic in inception, thereby starting under conditions favorable to co-operative development. To be democratic each member must have one vote only, irrespective of the value of his investment or the extent to which he contributes to the success of the society. Such vote should be registered in person. Proxies giving opportunities for manipulation to gratify individual ambitions should be absolutely excluded. There may be in sparsely

settled districts, conditions which necessitate members being represented by proxy, but, if so, steps should be taken to prevent abuse of the power thereby created. I would suggest, for example, that in such cases members should meet in public in local groups, and, by resolution, select from their number delegates to represent them, to express their wishes, and to register their voting power at the general meeting of the organization. Whether or not the Rochdale plan is adopted, it is necessary, in order to insure the co-operative character of the institution, to see that the plan of organization excludes the possibility of distribution of the earnings on a capitalistic basis, or the society being operated on undemocratic lines.

While co-operators are seeking to build a co-operative commonwealth, and to develop a world-wide co-operative brotherhood, which will eliminate both war and competition, they, as co-operators, have no scientific plan whereby the prevailing social and economic inequities can be immediately adjusted. In general terms it may be said they are opposed to the capitalistic, competitive, and profit system and are attached to the principle of equity in industry, which is impossible thereunder, as at present conducted. They have done what political theorists have, as yet, failed to establish. They have, as far as it has been possible to apply them, demonstrated the social value of their principles. Co-operators, quasi co-operators, for some of them are also socialists, do not believe the democratic state has a social efficacy much in excess of the qualities and virtues of its constituent units. While the average co-operator would shear, by political action, if necessary, capitalism of its privileges, he has far more confidence in the intelligence and associated self-help of the people than in the official wisdom, or assured justice, of the state, under any possible form of government. Complaint is sometimes made by political actionists of

operative movement here would be of incalculable advantage to the common people. In providing a system the relatively slow growth of the voluntary movement, but co-operators know from long and mature experience that permanent success cannot be much in advance of the co-operative spirit and individual intelligence of the average member. The speed of a line of battleships is that of its slowest unit. While the speed of the good ship "Co-operation" towards its ultimate haven of peace, equity, justice and fraternity is certainly in advance of the intelligence of the most indifferent and ignorant of its ship's company, co-operators feel that the process, character, extent, and ratio of development must be governed by the advance in co-operative and general intelligence and ethical and fraternal spirit of the rank and file. Had, I might point out, the billion and a quarter dollars of co-operative profits distributed in Britain among the members of the movement during the last half century been reinvested, to provide, as contemplated by the Owenite co-operators, capital for self-employment; had every member made the best use of the educational opportunities the movement has afforded him, shown the irrepressible enthusiasm for co-operative principles, and made the great personal sacrifices in thought, time and energy in giving effect to them which thousands of British working men co-operators have done during that period, capitalism would, by this time, have been banished from the United Kingdom. What the people have not been able to do for themselves, it is improbable the state can do for them, and it is quite possible that the immediate extension of the power of the politician to the economic affairs of the nation, would create still greater difficulties, instead of providing a solution for the manifest economic and social problems which now confront us.

In view of the many oppressive, productive, financial

and mercantile combinations and organizations operated on this continent, the extensive development of the co-operation of production, distribution, marketing, banking, housing, and other co-operative action for use and accommodation, instead of for private profit, the movement would do for the people what governments and legislators have failed to do, namely to keep in restraint the rapacity of the forces of exploitation. Some students of the subject think that the power of a democratically constituted state is sufficiently great to destroy every conspiracy of productive, financial and commercial interests organized to defeat and defraud the people, but the great difficulty is that democracy, like other great bodies, moves very slowly; whereas the piratical interests, being oligarchic in the conception, expression and direction of their oppressive policies, and in the execution of their nefarious designs, operate with great celerity and precision. They look upon democracy, and its rights, as something apart from themselves, so much raw material to be fashioned according to their corporate ambitions, and they have the means to hire all types of skill, and even to bribe the agents of the people to be false to their duties. The most effective weapon against oppressive conspiracies, local, state or national, is a well-organized co-operative movement comprised of people educated in co-operative principles and enthusiastic and steadfast in their attachment thereto. There is no force, legal or illegal, in any country strong enough to destroy or even seriously to injure the property, power or influence of a body of intelligent people who organize their own demand for the necessities of life, and proceed to satisfy it by production under their own control, or in fraternal association with individual or co-operative producers animated by similar principles of social and economic righteousness.

It is a reflection upon the intelligence and industrial morality of the United States and Canada that nearly

every country of importance in Europe should have outstripped them in genuine co-operative development. The cause is rarely investigated. If the question is raised the usual practice is to provide excuses. I will, to some extent, endeavor to give my own views. In the first place I am of the opinion it is our unfortunate habit to imitate rather than to emulate the successful co-operation of the old world. Our people see remarkable results achieved by the practice of certain economic methods, but usually the basic reason of success is neither understood nor studied. Indeed, in my experience, it is found difficult to get the members and even the committeemen of co-operative societies interested therein. Few people appreciate that the underlying principle is unselfish association, and that the practice of the principle almost inevitably brings the substantial advantages seen elsewhere, and, I may say, in proportion to the extent the principle is entertained and respected. The great majority of North American co-operative societies, so-called, are not so in constitution. Many others are co-operative in form, but they are organized and operated for the purposes of individual gain by people who manage them. Provision may be made in the rules for democratic control and direction, but, the same nevertheless, such societies do not, *de facto*, differ, in that respect, from any capitalist joint stock company. Usually some individual has heard how successful co-operative societies have been elsewhere, and he sees therein a popular sentiment susceptible of exploitation to his own personal advantage. A man of little or no capital, and very small mercantile influence, conceives the idea of exploiting other people's capital to organize other people's trading or productive power for his own aggrandizement. Such organizations either fail or are ultimately transferred to private ownership. Similar results accrue in the case of societies organized by paternalists for philanthropic reasons, and where the principle of self-help in the membership is non-existent.

The application of the economic methods of the co-operative movement, minus the education of its members, is about as foolish as seeking to sow the seed before the land is plowed. Every society organized should show as much persistent enterprise in the educational as in the productive, financial, mercantile or other departments. In attaching great importance to co-operative education, I do not so much express my own as reflect the views of all recognized co-operative authorities. I have at the back of this statement the consensus of opinion of the whole international movement. In his "Economics of Industry," Prof. Marshall lays it down that "the true co-operator combines a keen business intellect with a spirit full of an earnest faith"; and that "co-operative societies are served excellently by men of great genius, both mentally and morally; men who for the sake of the co-operative faith that is in them have worked with great ability and energy and with perfect uprightness, being all the time content with lower pay than they could have got as business managers on their own account or for a private firm." That great economic authority, speaking at a British co-operative congress, also said: "I regard co-operation as the typical and most representative product of the age; because it combines high aspirations with calm and strenuous action and because it sets itself to develop the spontaneous energies of the individual while training him to collective action by the aid of collective resources, and for the attainment of collective ends." To produce such gratifying results, it meant education, persistently, consistently, and continuously imparted. "I look on co-operators as the salt of the working men," said Charles Kingsley. Working men co-operators could not gain so high a reputation with a person of Kingsley's character, genius and social experience solely because they succeeded in combining to reduce the cost of living. It was the effect of co-operative education

on their minds, and its influence on their characters, which justified it. The co-operative movement is unique in that it has commanded the enthusiastic approval alike of aristocrat and plebeian, of the most orthodox of churchmen and the most confirmed agnostics; the most conservative, and yet also the most radical and socialistic of politicians. The successful practice of certain economic devices did not secure it. It was the high ethical spirit and the cultivated and practical intelligence which has accrued from the educational work of the movement.

The schools in every democratic country, in order to guarantee the practice of the principles of democracy, should teach as an elementary subject, co-operation, or in other words the duty of fraternal association. More emphasis should be placed upon the need of each individual discharging his or her democratic duties, and there will be less cause to fight for the enjoyment of our democratic rights. The state in the detection, conviction and detention of criminals, spends an enormous sum annually for no other reason than to establish to their satisfaction, and that of other possible wrong-doers, that more happiness and personal comfort may be expected by respecting the rights, lives and liberties guaranteed by the statutes and the legally recognized customs of society than by their violation. Would it not be an excellent expenditure of money to prepare the minds of the youth of the country that genuine happiness cannot be expected, with reasonable certainty, in the cultivation of the acquisitive instinct, or the ambition for personal power, and that all but an infinitesimal section of the people can enjoy greater material prosperity, have fewer occasions of anxiety arising out of economic circumstances, and better appreciate the joy of life by enthusiastic and unselfish attachment to the principle of mutual or social service; in other words by striving to practice the Christian addendum to the Mosaic law,

"Love one another," an injunction which contains the essence of all the commandments relating to our duty to our fellowmen. Let the state do that and the state will not only provide itself with a higher type of public servant, but it will recruit the co-operative movement with excellent human material wherewith to evolve an economic democracy of free, high-minded and enlightened citizens.

Societies for the propagation of co-operative knowledge throughout the United States would be of great advantage in preparing the way for the application of co-operative principles to trade, finance and industry. Finally, I would suggest that all genuine societies of any description, in every district, should be federated for mutual protection and advancement, for it was found in the old world that the period of rapid development commenced when the societies also co-operated with each other. The principal reason was that the co-operation of co-operative societies, by the formation of unions, put the collective intelligence and experience of the whole body at the service of each society, provided valuable opportunities for exchanges of opinion enabled the federated societies to avoid repeating experiments or methods of business which had been found disastrous, impracticable or unsuitable by individual organizations, and gave them the strength necessary to resist the oppressive and malevolent antagonism of organized capitalism. Co-operative unions, too, have the advantage of being able to provide the financial and other resources necessary for successful propaganda effort, and, by expert and tactful advice and assistance in the initial stages, to prevent many ventures becoming failures through inexperience.

Individual societies federated into state unions, and state unions affiliated in one great national union, would also have the effect of enabling people to distinguish

between genuine and imitative co-operation, and would do much to protect the people from being defrauded and discouraged by the private exploitation of a beneficent principle, and which, too, has the effect of obstructing development, and deceiving the people as to the real purpose of the co-operative movement. State and federal co-operative unions would also provide great, varied and comprehensive knowledge and experience available for the purpose of ascertaining the economic needs of the co-operators of the nation, and establishing wholesale, productive and other necessary organizations whereby they could be satisfied, free from the enormous loss occasioned by the unrestricted control of the means of existence by trusts, combines and other capitalistic institutions.

Fourth Session

LAND CREDIT.

PERSONAL CREDIT.

AGRICULTURAL CREDIT IN
MINNESOTA.

LAND CREDIT

BY GEORGE WOODRUFF

The United States of America is one of the few agricultural countries in the world that has not established the farm mortgage business upon an organized and efficient basis, and this fact has recently been very forcibly called to the attention of the American people. It now appears that some legislation is very sure to be passed and it would not be surprising if this legislation should take the form of a national mortgage bank law which will provide for the establishment of national mortgage banks similar in many respects to our present national banks but authorized to do only a mortgage bank business.

The first great question to be decided in connection with any system of national mortgage banks would be that of the ownership of the banks and this would involve the two principles of joint-stock ownership and co-operative ownership.

It is claimed by many that joint-stock ownership is in line with American institutions and ideals and that the incentive for personal gain is necessary in order that the business may be rapidly and broadly extended. On the other hand, it is maintained by others that co-operative ownership would vest the control of the business and the profits resulting therefrom in the hands of the farmers themselves and that this would produce the best operating results. This difference of opinion may perhaps result in the adoption of a provision that national mortgage banks may be organized either on the joint-stock plan or the co-operative plan, this question

to be decided by the organizers of each individual bank.

Regardless of which form of organization may eventually be adopted in this country, the general plan for successful mortgage bank operation will be the same. A mortgage bank, whether joint-stock or co-operative, should be subject to the supervision and examination of either state or national authorities, should be organized with ample capital or responsibility, should loan money exclusively upon real estate, and in order to secure the money to loan, should issue and sell its bonds secured by mortgages as collateral.

The success of the bank will depend largely upon the two things that have contributed most to the success of foreign mortgage banks: First, amortization provisions in the mortgages, and Second, restrictions around the bonds.

In America, such loans as are made on farm lands should be made not to exceed 50% of the value of the land and preferably for a period of thirty years, each loan to be paid back to the bank in small semi-annual payments and this system of small payments constitutes what is known as the amortization plan of operation. As under this plan the loan will never have to be renewed but will continue to run until the semi-annual payments have cleared the farm of debt, the farmer will never be compelled to pay the frequent commissions, expenses of bringing down abstracts, and legal charges which he is now compelled to pay every few years when the loan is renewed, and more important still, he will be largely relieved of any anxiety lest he fail to meet the mortgage when due and lose the farm, for under this plan of amortization loans, it will be practically impossible for an honest farmer to lose his farm.

In many parts of our country the interest alone on farm mortgages amounts to at least 8% per annum, but a mortgage bank located in such a section could easily

afford to loan money on farms for thirty years requiring an annual payment or annuity of but 8% which would cover not only the interest but also the payment of the principal and the expenses and profits of the bank. The payments made each year would always be the same in amount and would equal 8% on the principal of the loan, viz.: 6% for interest, 1.227% for amortization or payments on the principal, .773% for expenses and profits; total 8%.

For a loan of \$1,000.00, the transaction would work out as follows: (This example applies proportionately to a loan of any amount whatever.)

Amount of loan.....	\$1,000.00
Annuity	8%
Interest	6.000%
Amortization	1.227%
Expense and Profits.....	.773%

 8.000%

Length of term.....	30 years
Payments	Semi-annual

Semi-Annual Payment	Interest at 6%	Paid on Principal	For Expenses and Profits	Total Semi-Annual Payment	Amount of Principal Still Unpaid
1	\$30.000	\$6.135	\$3.865	\$40.00	\$993.865
2	29.816	6.319	3.865	40.00	987.546
3	29.626	6.509	3.865	40.00	981.037
4	29.431	6.704	3.865	40.00	974.333
5	29.230	6.905	3.865	40.00	967.428
6	29.022	7.113	3.865	40.00	960.315
7	28.809	7.326	3.865	40.00	952.989
8	28.589	7.546	3.865	40.00	945.443
9	28.363	7.772	3.865	40.00	937.671
10	28.130	8.005	3.865	40.00	929.666
11	27.890	8.245	3.865	40.00	921.421
12	27.642	8.493	3.865	40.00	912.928
13	27.388	8.747	3.865	40.00	904.181
14	27.125	9.010	3.865	40.00	895.171
15	26.855	9.280	3.865	40.00	885.891
16	26.577	9.558	3.865	40.00	876.333
17	26.289	9.846	3.865	40.00	866.487
18	25.995	10.140	3.865	40.00	856.347

	Semi- Annual Payment	Interest at 6%	Paid on Principal	For Expenses and Profits	Total Semi-Annual Payment	Amount of Principal Still Unpaid
19		25.690	10.445	3.865	40.00	845.902
20		25.377	10.758	3.865	40.00	835.144
21		25.054	11.081	3.865	40.00	824.063
22		24.722	11.413	3.865	40.00	812.650
23		24.379	11.756	3.865	40.00	800.894
24		24.027	12.108	3.865	40.00	788.786
25		23.664	12.471	3.865	40.00	776.315
26		23.289	12.846	3.865	40.00	763.469
27		22.904	13.231	3.865	40.00	750.238
28		22.507	13.628	3.865	40.00	736.610
29		22.098	14.037	3.865	40.00	722.573
30		21.677	14.458	3.865	40.00	708.115
31		21.243	14.892	3.865	40.00	693.223
32		20.797	15.338	3.865	40.00	677.885
33		20.336	15.779	3.865	40.00	662.086
34		19.862	16.273	3.865	40.00	645.813
35		19.374	16.761	3.865	40.00	629.052
36		18.872	17.263	3.865	40.00	611.789
37		18.354	17.781	3.865	40.00	594.008
38		17.820	18.315	3.865	40.00	575.693
39		17.271	18.864	3.865	40.00	556.829
40		16.704	19.431	3.865	40.00	537.398
41		16.122	20.013	3.865	40.00	517.385
42		15.521	20.614	3.865	40.00	496.771
43		14.903	21.232	3.865	40.00	475.539
44		14.266	21.869	3.865	40.00	453.670
45		13.610	22.525	3.865	40.00	431.145
46		12.934	23.201	3.865	40.00	407.944
47		12.238	23.897	3.865	40.00	384.047
48		11.521	24.614	3.865	40.00	359.433
49		10.782	25.353	3.865	40.00	334.080
50		10.022	26.113	3.865	40.00	307.967
51		9.239	26.896	3.865	40.00	281.071
52		8.422	27.713	3.865	40.00	253.358
53		7.600	28.535	3.865	40.00	224.823
54		6.744	29.391	3.865	40.00	195.432
55		5.862	30.273	3.865	40.00	165.159
56		4.954	31.181	3.865	40.00	133.978
57		4.119	32.016	3.865	40.00	101.962
58		3.058	33.077	3.865	40.00	68.885
59		2.066	34.069	3.865	40.00	34.816
60		1.319	34.816	3.865	40.00	.000
Totals		\$1,168.10	\$1000.00	\$231.90	\$2400.00	

It will be observed that at the end of thirty years, the farmer would be entirely out of debt without ever having been called upon to pay in any one year an amount larger than 8% on the original principal of the loan, and he would furthermore have saved all renewal commissions and expenses. Each of the semi-annual payments would be sufficiently small as to enable the average farmer to borrow the amount necessary from his local banker if he should be temporarily out of funds when the payment came due, and, furthermore, as the amount of each semi-annual payment would in no case exceed 2% of the value of the land, the farmer should practically always be able to make the payments out of the proceeds of the land itself. On any interest paying date, the farmer would be allowed to make partial payments of any amount or to pay off the entire amount due on his loan. Of course, partial payments would reduce the amount of the principal still due and consequently a smaller part of the semi-annual payments that follow would be required for interest and a larger part would be applied on the principal so that the loan would be paid off before the expiration of the thirty years, thus saving additional money for the farmer. So much for the first point, that of amortization.

Now, let us consider the second point, that of the restrictions around the bonds. The mortgage bank would obtain the capital to finance the farmer by the issue of its bonds as is done by modern mortgage organizations throughout Europe. These bonds should pay around 5% interest, should be the direct obligation of the mortgage bank, and should be secured by the deposit of mortgages as collateral with a trustee or fiduciary agent to an amount equal to the amount of bonds outstanding. These bonds would then furnish for the American investor a new type of investment combining the underlying security of the farm mortgage, the full liability of a

bank under state or national supervision, and the advantage of a comparatively broad market. The restrictions which should be compulsory upon the bank should be those that have been worked out by the world's most successful mortgage banks, among which may be suggested the following:

(a) Each mortgage put up as collateral for bonds should be a first and valid lien upon certain specified forms of real estate (as for instance, farms) located within the particular state in which the mortgage bank is organized, which real estate should be such as is available for the production of income.

(b) Each such mortgage should be a first and valid lien upon the whole and undivided fee and upon no lesser estate and the appraised value of the real estate securing any such mortgage should be at least double the amount of the indebtedness secured thereby.

(c) Each such mortgage should be such as is given to secure a principal indebtedness not exceeding in amount fifteen (15%) per cent of the capital and surplus of the bank. (This guarantees to the holders of the bonds that the mortgages held as collateral are diversified and of such sizes as to be readily salable.)

(d) All such mortgages on farm lands should contain provisions for proper soil conservation. (This is a very necessary provision when loans are made for a long term of years.)

(e) All such mortgages should contain provisions for annual or semi-annual amortization payments. (This guarantees to the holders of the bonds that the security behind each mortgage held as collateral will be constantly growing larger.)

(f) The appraised value of the real estate securing any such mortgage should not exceed the selling value of the same and the appraised value should be determined by two independent appraisals and should be approved by the executive committee of the bank.

(g) The bank should acquire no real estate except to protect its interests in case any of the mortgages owned by it are foreclosed and the property therein described sold to pay the indebtedness secured thereby. All real estate so acquired should be promptly sold.

(h) The aggregate amount of the principal of all bonds issued and outstanding at any one time should not exceed fifteen times the amount of the capital and surplus of the bank.

Of course, the above suggested amortization table and the above suggested restrictions, together with the interest rate and the term of the loan, would vary in different localities and under differing conditions but the general principles should remain the same.

The profits to be earned by the mortgage bank should be satisfactory owing to the fact that it could be so organized as to limit overhead expense to a comparatively small amount, and in addition to the part of the annuity which is paid to the bank to cover its expense and profits, it would in many cases make a considerable gain from the difference in the rate of interest which would be paid to it by the borrower and the rate of interest which it would pay on its bond to the investor. Under the joint-holders while under the co-operative plan a fixed rate would be allowed on the capital, and the rest of the profits would be credited to the surplus or guaranty fund, or pro-rated among the borrowers.

In other countries, the introduction of mortgage banks has always resulted in better farming conditions and more favorable opportunities for land renters to become land owners, and consequently all of our people, whether agriculturists or not, should be interested in this agitation for farm mortgage reform which means so much for the American producer and indirectly for the American consumer.

PERSONAL CREDIT

BY GEORGE W. SIMON

The subject assigned to me is "Personal Credit." The speaker who preceded me discussed "Land Credit." This is the usual subdivision made by everybody. A better subdivision would possibly be, "Long-Term Credit" and "Short-Term Credit." One of the members of the commission sent out by the United States government to investigate rural credit in Europe, in a recent article in one of the periodicals, divorces these two forms of credit entirely. I am inclined to disagree on this point. I believe the two subjects are closely related and depend upon each other, and I shall treat of them as inseparable in my relation of my actual experience in the field of rural credits.

In speaking about land credit or about co-operation it has been the practice in this country to discuss what has been or is being done in that direction in Europe, Asia, or elsewhere, and to ignore entirely what has been accomplished in our own country. I presume that most of you are aware that Germany was one of the first to adopt the institution of co-operative rural credit as early as 1769, and that in 1849 Frederick William Raiffeisen adapted the principles of co-operation to the needs of the poorer classes of farmers; that Italy followed in 1883; Austria, in 1886; Ireland, in 1890; and France, in 1899. You have heard that Japan has a couple of thousand co-operative credit associations, and that even autocratic and barbaric Russia has government land banks, advancing money at low rates for a period of forty or fifty years, and that it also has co-operative credit banks; and

that even India has made some steps in that direction. But I am almost certain that very few have heard that a long-term mortgage system has been practised in this country since 1890, that is for close to twenty-four years, among a class of people which has only recently gained recognition in the agricultural world; and that we have organized seventeen Raiffeisen banks in this country which are working smoothly despite the predictions of our native experts that co-operation among the American farmers is impracticable and impossible. It was therefore exceptionally pleasing to note that at this meeting considerable time has been devoted to what has been accomplished in this state or in this country. I do not wish to disparage the studying of results achieved abroad, but the success of a co-operative enterprise depends largely upon its membership or the individuals composing it, and individuals differ according to the conditions and environments under which they live. It is therefore essential to know what has been done in the United States under the existing conditions. If our efforts have failed we must know the reasons for our failures and the steps necessary to overcome them.

Now, I did not come here to preach or to criticize. I thought that in my story of our work among the Jewish farmers there will be sufficient valuable data to help you in your efforts to transplant the European rural credit system on American soil. The reason why I have decided to limit myself only to our work is two-fold: First, it is most familiar to me, and secondly, we are the pioneers, and as far as I know, the only ones who have introduced co-operative agricultural credit banks in the United States. Before making such a broad statement I consulted men who are considered to be authorities in agricultural economics. I also went to the Chicago library and vainly hunted for some information on the subject. I consulted the chief librarian, who has also

charge of the rural finance department, but was informed that there is nothing written on the subject as yet.

To study the history of a class of people it is best to study the class in its early developments. In our work of assisting our people to become farmers we had, so to speak, to create them from A to Z. To many it may still be a revelation to hear that there are some Jewish people who are devoting themselves to farming. The Jew, as a class, has always been identified with commerce and finance. But the time has come when, by applying business methods to agriculture, one can make farming profitable. Farming is no longer only a matter of physical labor. A "hayseed" cannot succeed any more; in order to make good on a farm one must use his brains; he must have business capacity and intelligence, as well as at least a rudimentary knowledge of the natural sciences. It is therefore the application by the Jewish people of the business methods they had acquired in the city which greatly accounts for their success. There are now in the United States about 6,000 Jewish farmers. I have not the latest figures, but two years ago our society estimated that the 3,718 farmers with whom we came in personal contact own 437,265 acres of land worth approximately \$22,194,335, with an equipment worth \$4,166,329.

The organized movement of our people toward the farm dates back only thirty years—and it is usually said that one hundred years in the life of a movement is only a brief moment. This movement became pronounced when, in 1890, a French nobleman, Baron Maurice de Hirsch, decided to come to the assistance of the Jews in Russia. With this purpose in view he established a main fund in Paris with branches in Argentine Republic and in the United States. The income from these funds was to be devoted to improving conditions of the Jewish emigrants driven from their homes through political and religious oppression.

Under the guidance of the Baron de Hirsch fund, agriculture among the Jews has made considerable progress. The object of the fund was to improve the conditions of the Jewish immigrant, by helping him to adjust himself to his new environment. While encouraging the immigrant to take up agriculture was one of the phases of its activities, the field of the Baron de Hirsch fund was more comprehensive. In order to bring the agricultural work to a higher state of efficiency it was deemed advisable to establish a distinct organization for this purpose. The Jewish Agricultural and Industrial Aid Society was accordingly incorporated, with which society I have the honor of being identified. One of the articles of incorporation was the encouragement and direction of agriculture among the Jews. Another was the encouragement of co-operative creameries, factories and storage houses for canning and preserving fruits and vegetables and for making wine. From its very inception, therefore, the idea of co-operation was dominant in the minds of the organizers of this institution.

The fundamental activity of the Jewish Agricultural and Industrial Aid Society is to render financial assistance and guidance to those who desire to become farmers and to enable those who are already settled on farms to maintain their foothold. The financial assistance granted consists in making loans for the purchase of the farm, for equipment, and for other productive purposes. In making loans to the farmers our society from the beginning adopted the French credit system—*Credit Foncier*—with the difference that, our resources being limited, we do not, as a rule, make loans when funds are available elsewhere. The society therefore makes no loans on first mortgages. Most of the loans are made on second mortgages, while some are on third or even fourth mortgages, supplemented sometimes by a chattel

mortgage or other collateral security. While we prefer to loan up to seventy-five per cent of the value of the land, in many instances we loan up to ninety per cent, and in special instances even above the land value. In these instances, however, our loans are for productive purposes, such as for the improvements of buildings, etc., and, usually after our loan is applied, the valuation increases automatically and raises the security up to seventy-five per cent.

I have no figures showing what was accomplished by the Baron de Hirsch fund previous to the incorporation of the present society, but I have statistics of our work since 1900, when the Jewish Agricultural and Industrial Aid Society was established. During the fourteen years it has been in existence our society has granted 2,800 loans aggregating \$1,800,000. These loans were made in thirty-one states and in Canada. We loan money at four per cent interest on long-term mortgages running on an average for ten years. In each instance the character of the farmer is taken into as much consideration as the real estate security. The proof of the soundness of our experiment is that, in spite of the inferior security which we accept, during the last fourteen years we collected over twenty-six per cent, and our losses have been less than two per cent. The late J. P. Morgan said last fall at the congressional inquiry into the money trust held at Washington, that he trusted millions of dollars to people who could not offer any security except their known honesty and moral strength of character. This principle we follow to some extent in dealing with our farmers, and the results are gratifying.

To illustrate more clearly our work, I will cite a typical example. An applicant has saved up \$1,000 by working at his trade in the city. He has almost reached the point when his earning capacity is rapidly decreasing, and threatens his savings. He comes to the Jewish

Agricultural and Industrial Aid Society, and with their advice and guidance purchases a farm for \$3,000, paying down his \$1,000, and giving a first mortgage for the \$2,000 to the vendor. Then the society makes him a loan of \$1,000 with which to equip the farm. We thus capitalize his investment, discounting his personal character. This is the reason why I insist that the subject of credit should be subdivided into long-term and short-term credit. While in the former land is taken as security, and in the latter only a note is accepted, the personality of the farmer plays a very important part in both.

As a result of our activities a few thousands of Jewish farmers are now independent, and it is among these that we have introduced the short-term personal credit, patterned after the Raiffeisen system, of which I shall treat shortly. Now, if we could give \$1,800,000 to farmers who knew little about farming before they started, and could give it to them on a chattel mortgage, and we have been kept safe and sound, would not the United States government be safe and sound if it would loan money to the farmer on a first mortgage at four per cent interest and thus relieve the farmer from paying ten per cent to private people who, as a rule, "only do a favor" by making the loan? The United States government gave \$50,000,000 to the national banks at two per cent. What security did the national banks give to the government? The farmer in this country wants to give as security good land which is worth good money, and he will be glad to pay four per cent. And why should he not get it? He does not want charity. It is true that there was a time when land was possibly a poor security, but the time of free land is past. This country has no free land fit for agricultural purposes, or has very little of it. At the present time, even if you want to get land which is dry on which you have to spend thousands and sometimes millions of dollars

in order to get the water supply for the crops, you will have to pay a high price for it. Land now is a good security; besides, we have some good farmers who are good for it, because I believe that *the land is worth as much as the man who is on it*, and we have got some good men on our farms.

After having helped our farmers with long-term loans for a number of years, we noticed that many of them were still struggling and piling up their obligations mighty fast. We commenced to study the causes of this state of affairs and were confronted with conditions which are national in character. We learned that the farmer needs a short-term loan, or personal credit, as it is otherwise called. We learned that on account of the lack of \$100 with which to purchase a horse on time he loses a season; or that he is often forced to sell his crop at half price in order to settle the few dollars he owes for labor. Out of these existing conditions there arose an apparent remedy. A new class of money lenders settled in the rural community—a small shark who gradually preyed upon the farmers and had them completely in their power—sometimes it is the local storekeeper, sometimes just a neighbor. They were always ready to assist the farmer with a small loan, charging him one hundred per cent and over. At the same time the farmer was under obligation to sell his crop to his “benefactor” at any price offered. These money lenders can be compared to the hookworm, prevailing in the South, which infests the system of thousands of people and saps all their energy and strength. The experience of our European brethren has shown that co-operation among our farmers will be complete only when they free themselves from the local money lenders and usurers and build up their own co-operative banks which will force their recognition among the business people of the world as a factor in the important financial trans-

actions. Otherwise their co-operative creameries, canneries and insurance companies will always depend upon the whim of the trusts and financiers.

The question of rural credit is the question of the day now. Everybody is speaking about it. Farmers, bankers, business men, societies and governors of the states, even the President of the United States sent a commission abroad to study rural credit. When our society started its work very few people paid attention to the necessity of rural credits. Our work was regarded as only the activity of a "philanthropic institution"; yet in Europe billions of dollars have been advanced to farmers at four per cent, and nobody considers it as philanthropy. In this country we have not yet realized the duty of the government towards its constituents, and we are in constant fear of "paternalism," and we therefore go to the other extreme.

While our society was anxious and ready to help the farmers, our wide clientele, scattered practically all over the United States, made it impossible for us to be in sufficiently close touch with the people to permit the extension of personal, or short-term, credit, as the sums are usually too small and the administration expense would be too large. Besides, we could not reach them in time to meet their urgent needs. After carefully considering the situation, we arrived at the conclusion that the best way to solve the problem is to organize co-operative agricultural credit associations in the Jewish farming communities so that the farmers can help each other. Our general manager, Mr. Leonard G. Robinson, succeeded, in 1909, in devising a plan whereby the German Raiffeisen system could be adopted for our use on American soil. But, as pioneers in the field, we naturally encountered many obstacles. Chief among these was the absence of legislation under which these credit associations could be incorporated. We finally concluded to

organize them as unincorporated or voluntary associations, and in May, 1911, the first co-operative bank in this country was opened.

Before introducing these credit unions among our farmers, we had to organize them through a monthly agricultural publication—the *Jewish Farmer*—which is published by our society in Yiddish and is the only paper in the world of its kind. We thus succeeded in organizing several local societies. In January, 1909, thirteen of these societies sent their representatives to New York and formed the Federation of the Jewish Farmers of America. The object of the federation is to promote the social and educational welfare of the members, to encourage co-operation and to improve marketing and purchasing facilities. At present this federation consists of fifty-two local societies and several hundred members at large. We also sent out itinerant instructors analagous to the United States government, demonstrating agents in the South. With the aid of these local societies we introduced the Raiffeisen system.

The following was our mode of procedure. We came to one of these groups having, let us say, a community of twenty farmers, and told them to subscribe together, a small sum—as much as they can conveniently spare—in shares of five dollars each. We then loaned them two dollars for every dollar they subscribed. In other words, if they subscribed \$500 we loaned them \$1,000 for which the farmers are jointly responsible, and we charge them interest at the rate of two per cent per annum. This small community of farmers now had \$1,500 for their small emergency needs. Suppose a member of the community should lose a horse or a cow, or should need \$50 to buy some fertilizer, or is in need of a small sum to pay his laborer, he does not have to borrow the money from his grocer or from the money lender, but he can get it from his own community bank, from his fellow

farmers who do not need the money just then, but may have occasion to use it in a similar manner later on. If he wants fifty or one hundred dollars he knows where he can get it, and the bank knows that the money will be secure. This community bank or co-operative credit union, in the management of the affairs of which he has the same voice as any other member, regardless of the number of shares held, charges him six per cent. The loan is granted for a period not over six months and for a sum not over \$100.

The operation of our credit unions is simple. Any man with a little common horse sense can understand it. The by-laws are plain. The membership of the Co-operative Credit Union is limited to the farmers residing within a small area, and it is open only to members of good standing in the local Jewish farmers' association, which in itself is a branch of the central organization of the Federation of Jewish Farmers of America. Every member of the local association, upon buying at least one share of the Co-operative Credit Union, becomes a member of it. In addition to the shares, the credit union has a right to charge initiation fees, dues, premiums and fines. The capital can also be increased by the credit union by borrowing money. The credit union cannot borrow money unless the amount to be borrowed, the terms upon which it is to be borrowed, and the name of the prospective lender are submitted to all the members at a meeting of all the shareholders, called the general assembly. If there are any existing creditors of the union no additional money can be borrowed unless permission in writing is obtained from them.

The management of the credit union is entirely in the hands of the local committee. A board of seven directors is elected annually. Each member has only one vote. Four of the directors, namely, the president, the vice president, the secretary and the treasurer constitute the

credit committee; the other three constitute the controlling, or supervisory, committee. The management of the credit union is in the hands of the directors. The credit committee considers all applications for loans, which must be made in writing, and the application must state distinctly the purpose for which the money is to be loaned, who the endorser will be, and that the endorser has not received and will not receive any consideration for the endorsement. The loan can be renewed every six months provided the original amount is reduced by cash payment. In some of the credit unions the loans are payable monthly. The loans are secured by a special form of promissory note of the borrower, endorsed by one or more responsible persons. The number of endorsers or any other security is decided upon by the credit committee. No officer or any member of the board of directors receives compensation for his services, with the exception of the secretary, who in some associations receives a nominal remuneration of from fifteen to twenty-five dollars a year.

All moneys are deposited in a national or state bank and all disbursements are made through checks signed by the president and the treasurer. The supervisory committee audits the books of the credit union, inspects the securities, and makes a report to the general assembly. The treasurer of the association is placed under bond. At the end of the year, after all expenses are paid out, twenty-five per cent of the profit is set aside for a reserve fund, and the balance is distributed as dividends among the shareholders.

To date we have seventeen of these banks in operation. Eight of these are located in New York; five, in New Jersey, and four in Connecticut. The accompanying table contains a report of the operations and financial statement of these credit unions for September 30, 1913. As will be observed they have an aggregate membership of

517, and a capital of \$9,165. They have been in operation for a period averaging a little over thirteen months, during which time they loaned out \$73,624.66, or about eight times their capital. The total number of loans granted is 1,103 or an average of \$66.75 per loan. Their net profits amount to \$1,317.93, that is, at the rate of thirteen and one-quarter per cent per annum on their original capital.

NAME.	Commenced Business.	No. of Members.	No. of Shares Outstanding.	No. of Loans Granted.	Amount of Loans Granted.	No. of Loans Repaid.	Amount of Principal Collected.
Fairfield, Conn. ..	May, 1911	29	108	108	\$6,930.00	87	\$5,630.00
Ellington, Conn. ..	May, 1911	23	112	92	7,555.00	72	5,905.00
Rensselaer, N. Y. ..	May, 1911	29	84	109	6,513.00	86	5,017.00
Briggs St., N. Y. ..	March, 1912	46	117	86	6,035.00	67	4,553.50
Lebanon, Conn. ..	March, 1912	24	117	86	5,524.90	64	4,021.85
Colchester, Conn. ..	April, 1912	26	101	63	4,070.00	38	2,535.00
Fallsburg, N. Y. ..	April, 1912	44	113	78	5,384.00	61	4,204.00
Hurleyville, N. Y. ..	May, 1912	32	119	129	8,034.82	102	6,326.79
Hightstown, N. J. ..	Jan., 1913	32	100	34	2,130.00	9	830.00
Parksville, N. Y. ..	Jan., 1913	24	120	31	2,750.00	17	1,600.00
Woodbine, N. J. ..	Feb., 1913	28	100	42	2,930.00	23	1,690.00
Carmel, N. J.	Feb., 1913	36	144	60	3,530.00	33	2,080.00
Flemington, N. J. ..	March, 1913	22	100	67	4,097.94	43	2,782.97
Perrineville, N. J. ..	April, 1913	29	97	27	1,835.00	13	1,040.00
Ellenville, N. Y. ..	April, 1913	26	100	42	2,475.00	20	1,210.00
Maplewood, N. Y. ..	April, 1913	34	102	21	1,925.00	8	675.00
Stevensville and Ferndale, N. Y. ..	April, 1913	33	99	28	1,905.00	11	715.00
Totals		517	1833	1103	\$73,624.66	754	\$50,816.11

This table was compiled by the Jewish Agricultural and Industrial Aid Society,
174 Second Avenue, New York City.

NAME	Commenced Business	Amount of Loans Outstanding.	Interest Collected.	Expenses.	Total Assets.	Total Liabilities.	Assets Over Liabilities.
Fairfield, Conn.	May, 1911	\$1,300.00	\$189.64	\$138.37	\$1,601.77	\$1,540.00	\$61.77
Ellington, Conn.	May, 1911	1,650.00	231.54	91.20	1,709.98	1,560.00	149.98
Rensselaer, N. Y.	May, 1911	1,496.00	208.32	105.12	1,544.35	1,420.00	124.35
Briggs St. N. Y.	March 1912	1,481.50	160.63	41.30	1,704.33	1,585.00	119.33
Lebanon, Conn.	March 1912	1,503.05	191.13	57.93	1,756.78	1,585.67	171.11
Colchester, Conn.	April, 1912	1,535.00	140.48	35.88	1,613.40	1,506.00	107.40
Fallsburg, N. L.	April, 1912	1,180.00	140.10	59.99	1,687.57	1,565.96	121.61
Hurleyville, N. Y.	May, 1912	1,708.03	152.45	33.93	1,723.42	1,597.00	126.42
Hightstown, N. J.	Janq, 1913	1,300.00	53.45	15.41	1,338.04	1,500.00	38.04
Parksville, N. Y.	Janq, 1913	1,150.00	70.00	34.59	1,634.91	1,600.00	34.91
Woodbine, N. J.	Feb'y, 1913	1,240.00	53.12	10.92	1,542.20	1,500.00	42.20
Carmel, N. J.	Feb'y, 1913	1,450.00	65.35	16.38	1,773.22	1,720.00	53.22
Flemington, N. J.	March, 1913	1,314.97	62.43	23.03	1,544.51	1,500.00	44.51
Perrineville, N. J.	April, 1913	795.00	37.70	24.47	1,498.23	1,485.00	13.23
Ellenville, N. Y.	April, 1913	1,265.00	49.83	24.47	1,525.86	1,500.00	25.86
Maplewood, N. Y.	April, 1913	1,250.00	49.75	6.97	1,552.78	1,510.00	42.78
Stevensville and Ferndale, N. Y.	April, 1913	1,190.00	44.43	6.97	1,536.21	1,495.00	41.21
Totals		\$22,808.55	\$1,900.35	\$726.93	\$27,487.56	\$26,169.63	\$1,317.93

This table was compiled by the Jewish Agricultural and Industrial Aid Society, 174 Second Avenue, New York City.

Some people contend that farm credit differs essentially from commercial credit; that the period of repayment of the loan must be longer; and that the farmer cannot make his turn over as quickly as can the merchant. While this is true as far as long-term loans are concerned, it is not necessarily so with short-term loans. From the accompanying table you will note that the capital of the credit unions, together with the money which we advanced, is \$26,169.63, and they have loaned out \$73,624.66. In other words, in about thirteen months their capital made a turn over of three times.

Now, let us consider the benefits derived from these rural systems. As a rule, it is very hard for a farmer to get a first mortgage on his farm unless he pays a large bonus and commission to the local agents. In the east it was impossible to get it under any circumstances; yet we found no difficulty in obtaining first mortgages for our farmers in New England or in other states. Our willingness to make a second mortgage on top of the first served as an assurance that their loan was safe. They knew that we select the man, examine the farm, and help him to adapt himself to the conditions, and that he consequently has a good outlook for success. In other words, we help to discount the personal qualities of the farmer and give him a strong moral support.

After we have introduced the Raiffeisen system, and the farmers have been released from the grip of the local storekeeper, they were no longer obliged to buy from him fertilizer of an unknown quality at one hundred per cent profit to the dealer. But they organized their own purchasing bureau through which they obtained direct from the factory fertilizer which had been tested from the state experiment station. The farmer who could not previously obtain any credit from the local storekeeper, received the necessary fertilizer direct from the factory on a six months note, paying only six per

cent interest for it. They obtained seeds from reliable seed houses true to their variety and quality. They purchased implements at wholesale from the manufacturers, obtained silos at a greatly reduced price, etc. This purchasing bureau, which began with a capital of \$300, has done business amounting to \$135,000, thereby effecting a large saving to its members, and has been instrumental in introducing to some of the least progressive farms improved machinery and modern agrarian methods. In some parts of New York State the farmers found difficulty in obtaining fire insurance, or were obliged to pay exorbitant rates. They thereupon organized their own fire insurance company, and the cost was reduced to a minimum so that in two years, they saved these farmers \$35,000. In another section they organized a co-operative creamery, as the Borden Condensed Milk Company offered them only two cents a quart for milk.

It is maintained that the American farmer does not want to co-operate; that he is too individualistic; yet I can cite a typical instance illustrating the contrary. In Fairfield County, Connecticut, where we have one of our groups established, the farmers had difficulty in getting a fair price for their milk. They were situated only fifteen miles from Bridgeport, a large and enterprising town with a splendid market. They were receiving only three cents a quart in summer, while the milk retailed at ten cents a quart in town. Our farmers secured the co-operation of the native farmers and struck. In two weeks the milk dealers settled, and the farmers are now getting five cents a quart the year round. Moreover, the native farmers learned that co-operation pays, and they joined our group, forming a new society comprising natives, foreigners, and obtained through the Federation of the Jewish Farmers of America, feed for their cows in carload lots, in accordance with the balance ratio supplied by our editor of the JEWISH FARMER.

I wish to touch upon one more important point. Wherever we introduced our credit unions, the local bankers were in no way hurt, but on the contrary, they have profited by them. Farmers who never knew the significance of a bank account have learned its advantages, and have increased the business of the banks to a great extent.

Co-operation has made the farmers self-respecting citizens, taught punctuality and business methods, and produced immeasurable moral, educational, and social effects. The farmers have found reason to be interested in the welfare of their neighbors; have learned of one another's failures and successes, and profited therefrom. They have realized that modern methods of farming, while rather costly in the beginning, are profitable in the end. Furthermore, it has proven a great factor in making the social life of the farmers more attractive, and the lot of the women and children more contented.

In conclusion I would say that to further co-operation among the farmers we need leaders—leaders not from above, from within. We need leaders in whom the farmers have confidence, and whom they will follow. Thus our young graduates from the agricultural colleges, if trained properly, so that besides *agronomics* they know a little *economics*, can do much for our farmers and the country at large.

Our farmers must be trained to produce a uniform product, and they should know the cost of production. It is typical of a farmer to ask his customer: "How much will you give me?" On account of these deficiencies, namely, lack of uniformity in the products and the heedlessness of the cost of production, we could not as yet organize a sales bureau among our farmers.

However, the most important step necessary to further the movement of the agricultural co-operative credit unions in this country is the enactment of proper laws

in the different states, and to legalize their incorporation, Massachusetts being the only state in the Union which, in 1909, adopted a credit union statute.

What our society could accomplish with strangers in a strange land, and under adverse conditions, what could not be achieved by the American farmers under proper guidance? The only objection which might be raised against our credit unions is the fact that they are subsidized by a philanthropic institution. But we had a peculiar problem to solve, and we had to deal with a class of people who have gone into farming with very limited funds, and with very little practical experience. Should, however, our federal and state governments throw aside their fear of paternalism and treat the farmers in the same way as they treat bankers and other legitimate business, and should the banking laws be so remodeled as to allow these credit unions to receive savings deposits, there will be no need for philanthropy, and we will have developed a greater nation built upon the solid foundation of sound rural financing.

AGRICULTURAL CREDIT IN MINNESOTA.

BY G. P. WARBER

It can not be said that there is a general demand in this state for a change in the way that farmers may get money on credit. In fact, there does not seem to be even an intelligent interest in the subject of agricultural credit, however widely it may have been discussed in popular periodicals as well as in our National Congress from whence there is now emitting plethora of circulars or bulletins reporting the findings of our recent returned American commission. Strange as it may seem to those of us who have been following this literary agitation coming mostly from congressmen and other agitators, whose remarks have been liberally "extended in the record," the rank and file of farmers throughout this state know little, if anything, about it. Those of us who think that we are just on the eve of inaugurating a great revolution in the way of financing the farmer, have been misled, I believe, by the reading of the agricultural rejuvenation of Ireland, or the wonderful prosperity of the German and French peasantry, brought about in such a large measure by the highly gratifying success of loan operations carried on through the agencies of the *Landschaften-Foncier* mortgage association or mutual credit associations of the *Schulze-Delitch* or the *Raffeißen* type. The most of us, I believe, have failed to realize that after all the thing to which we have to direct our attention in this country is what is the real state of credit affairs as it confronts our farmers under our own agricultural conditions.

While we are pointing out the necessity for a careful

study of our own local needs, as well as conditions in general throughout this country, we should not make the other mistake, however, of concluding that because there is no agitation for innovations or change along this line on the part of the farmers, or bankers in rural districts, there has been a false alarm; and that the credit situation among farmers in general throughout this state, is entirely satisfactory the way it now is. It is just probable that farmers do not understand these foreign organizations and the methods of their working any more than most of the rural bankers; and, so also, it is just possible that a few enlightened farmers may do much toward pointing out the way to banking reform, the same as certain far-sighted bankers have just helped to point the way in farm management reform. May we hope, also, that the bankers will not resent this newly awakened interest in their field of business as being any more presumptuous on the part of the farmers than was the bankers' interest in behalf of increasing yields per acre through the application of more economic European methods. It is indeed a hopeful sign to notice the attitude of a few of our more progressive bankers in regard to the matter. Realizing that "what is sauce for the goose is sauce for the gander," certain ones of them, like the Woodruff Brothers, of Joliet, Ill., and our own Mr. Caldwell, of Lakefield, are joining right in with the movement and are doing their part toward improving the present situation where that is possible, instead of assuming that other standpat attitude which, if taken by the farmer, makes us call him hide bound; the attitude that "you mind your own business and we will tend to ours."

One of the best contributions to the discussion of the agricultural credit situation in the Northwest is the work of Professor Meyer Jacobstein, of the University of North Dakota. Although it has been criticized as

fragmentary and incomplete, it is nevertheless the beginning of the only possible way in which we may hope to solve the problem as it actually confronts us in this country. We need to know what credit our farmers need; how they now get that credit; what it costs them and whether there is need for an extension of credit. When these facts are once determined, we will be in a better position to judge as to just what should be done.

Professor Jacobstein's investigations were carried on with both bankers and farmers in the state of North Dakota. From the returns of questionnaires which he sent out, it appears that 8 per cent is the average rate of interest on long time loans with first mortgage security, in 25 of the 45 counties which reported. One-half of the 125 reporting banks charge 8% or more. Only 4 counties reported rates below 7%. On short-time loans the average length of time was $8\frac{1}{2}$ months. For this kind of credit "the farmers pay from 10 to 11%." Most of the banks reported higher rates for farmers than for merchants and manufacturers.

The reports further indicated that only 13% of the farmers pay cash in buying machinery. Big accounts run on an average about a year, the average interest rates on which are from 10 to 25%. Besides this the credit price in some instances is 10% higher than the cash price, in which case the farmer's credit really costs him 20%.

The Division of Research in Agricultural Economics, University of Minnesota, is also making investigations along this same line, giving particular attention to conditions in our own state. Although this work has not yet been carried far enough to warrant definite conclusions, certain things, nevertheless, appear at this stage of the work.

Agricultural conditions vary in different parts of our state; and it may be said that interest rates paid by farm-

ers also vary pretty much in accordance with the farming conditions that generally prevail in the various localities. Thus, the northern section of the state, which is comparatively undeveloped, pays from 3 to 4% higher interest on long time loans than the older and better developed southern section. In order to get the *lowest* interest rates at which any farmer in the different counties of the state may get money, we sent special questionnaires to only patrons of creameries; and in this way, it may be presumed, that the variations in rates reported by the different sections of the state, would be reduced to the minimum; because all of these farmers were practicing what is generally conceded to be the best and safest type of agriculture. From these returns it appeared, however, that other considerations than merely good husbandry, are important in determining interest rates on both long and short time loans. Thus the farmers who are living on lands valued from \$10 to \$40 per acre were forced to pay much higher interest rates than those living on land from \$80 to \$100 per acre. Aside from the fact that the newer and less developed regions have less local capital with which to finance their farms, they are at a further disadvantage, compared with the farmers of the southern section of the state, in that the maximum amount loaned on farms in these newer regions appears to be only \$500 in many instances, whereas, in the southern part of the state as much as \$6,000 or \$8,000 are oftentimes loaned on a quarter section. To handle these smaller loans is necessarily less profitable to money dealers, unless a higher interest rate is charged.

Other facts gained from our investigations show that the credit conditions are so variable in different sections of the Northwest that it would be hard to say that any one system or scheme of agricultural credit, such as are proposed by people who have studied the European sys-

tems, would be apt to meet all of our needs. Thus, the farmers in the southern part of this state, who have heavy deposits on interest, are not the men who need credit; and it is not very likely that you would get them to tie themselves up to a credit organization involving unlimited liability, and with no chance of profits to them.

It may also be said, however, that neither are they the men who are increasing our agricultural production. From farm surveys in this state it appears that the younger element of farmers, most of them are renters, are the most progressive and successful type of farmers we have. And it is these men who, even in the southern section of our state, need better credit facilities in order that they may be enabled to increase their income through the application of more scientific and intensive methods of husbandry. The agricultural credit problem will not be satisfactorily solved until we find a means by which the surplus funds of the older, non-progressive, retired farmers of our better developed areas, are placed at the disposal of both the settlers of newer sections of our country, and the more progressive younger element or renters of the older regions.

Appendix

THE FALL OF NATIONS.

CO-OPERATIVE EDUCATION AND
CITIZENSHIP.

THE FALL OF NATIONS

BY GEORGE WOODRUFF

History is made up of the story of a succession of nations, each of which has been born, has gradually grown strong, has attained maturity, has caught a disease, and has died; and it may seem strange to those who have not carefully studied the fall of nations to learn that nearly all of them have died of the same disease. Practically every great dominant nation has in its youth been an agricultural state and has derived its hardihood from the land. However, with the arrival of wealth, power, and maturity came the building up of great cities and the over-development of urban civilization. All activities commenced to revolve about the city; the country began to be neglected; the germs of the great disease found lodgment in the body politic; the best brains and the best brawn sought the centers; corruption commenced to creep in; the race began to weaken; the products of the soil decreased; the consumption of the cities increased; the cost of living rose; stronger, hardier agricultural races pressed in upon the frontiers; the cities were finally beleagured; the people died of starvation; and the great state perished. The disease it died of was rural decay.

In America today, the germs of the great disease of nations are beginning to find their way into our national life. The cause for this is the over-development of our urban civilization and the consequent decay of our rural civilization. The remedy is not in the destruction of our urban civilization, as is unthinkingly advocated by so many people today. Many features of our

urban civilization should be regulated and supervised, but the great enterprises and triumphs of our city life should not be destroyed merely because everybody, unconsciously, feels that a disease is threatening American institutions, and that in some way the enterprises of the city are to blame. It is better that we understand clearly what the disease really is, what the cause consists of, and then apply the true and logical remedy—the building up of an equalizing rural civilization. The destruction of some of the greatest features of our urban civilization might cure the disease, but it would stunt the growth of the country. The construction of a rural civilization will not only cure the disease, but will also further hasten the growth of the nation. Constructive measures are always preferable to destructive measures.

The methods by which the remedy can be applied are perhaps best grouped under the three divisions that have been worked out by the rural workers in Ireland—better business, better farming, and better living. The cause, the remedy, and the methods of bringing about the remedy are outlined on page 170.

Better business is the first great subdivision to demand attention in discussing the methods of bringing about the remedy for present rural conditions, for the rural problem cannot be solved until farm life is organized, and the best basis on which to organize the farmer is that of business, which involves the incentive of personal gain. In each rural community, there should be established a co-operative rural credit association, owned and managed by the farmers themselves. This association need not be a competitor of existing banks, but should, in most cases, be financed by them. The credit of the community should be dealt out through this association, and in order to obtain the best rates of interest, to stimulate the most active participation in the management, and to bring all of the members of

CAUSE	REMEDY	METHODS	
{ The Fall of Nations The Over-Development of Urban Civilization and Consequent Decay of Rural Civilization. }	{ The Construction of an Equalizing Rural Civilization }	{ Better Business }	{ Improved Rural Credit. Co-Operative Distribution. Co-Operative Purchase. }
		{ Better Farming }	{ Soil Conservation. Greater Crops. More Live Stock. }
		{ Better Living }	{ Better Community Spirit. Rural Social Center. Better Home Conditions. Modern Farm Houses. Better Sanitation. Better Prepared Food. Better Church Conditions. Better Rural Churches. Rural Y. M. C. A. Better School Conditions. Up-to-date Rural Schools. Vocational Courses. Better Means of Communi- cation. Good Roads. Rural Newspapers. }

the community together in a close and effective union, the unlimited liability feature should be adopted. Unlimited liability turns jealous neighbors into co-operating friends, for a farmer cannot afford to injure his neighbor when it costs him money to do so. A co-operative rural credit association teaches the proper principles and basis of credit, and consequently leads to better farm accounting on the part of the members, prompts the elimination of farm waste, and the adoption of farm efficiency, and lays the foundations for the general introduction of long term amortization mortgage credit.

Distribution of farm products should be by the farmers themselves through co-operative distribution societies. Middlemen should be largely eliminated and the farmer would sell his products at higher prices and the consumer should be able to buy at lower prices. In connection with co-operative distribution, the farmers might engage in some forms of co-operative agricultural manufacture, as for instance, the establishment of cheese factories, dairies, and even small packing plants.

The purchase of farm supplies should be by farmers' co-operative buying societies. Through co-operative purchase farm supplies could be obtained in large quantities at wholesale prices and the profits of the middleman saved to the farmer.

Rural credits, co-operative distribution and co-operative purchase would bring the farmers together in business organizations, with a common purpose, with opportunities for discussion, with profit to everybody, and this close association for business purposes in a form approaching some of the ideals of socialism, but eliminating the objectionable socialistic feature of community ownership of property, will unite and hold together the rural community better than can any other form of organization, and out of this will develop a demand for better farming and a desire for better living.

Better farming involves, first of all, scientific soil conservation, a matter which is already attracting wide attention in America. Soil fertility is the greatest national resource of the nation and there is no reason why this fertility should become depleted, providing proper methods are taught and practiced. Soil surveys and experiment stations are the chief means by which scientific agricultural knowledge is acquired. The surveys should be extended and experiment stations should be increased in number and properly maintained, and this information which is so important to the future of American agriculture, should be carried right home to the farm by county farm demonstrators and through extension courses under the auspices of the agricultural colleges.

Greater crops should result from proper soil conservation, from the suggestions of the county demonstrators, and from the growing tendency toward more intensive farming. The advantages of diversification should become more generally recognized on the part of farmers, one-crop sections should be turned into diversified districts and areas devoted entirely to grain raising should be changed into communities combining both grain farming and live stock farming.

More and better live stock is one of the pressing demands of our land and our markets, and this fact should be brought strongly to the attention of the farmer. The experience of other nations has shown that one of the greatest incentives toward better live stock is found in the organization of a system of co-operative live stock insurance associations.

Soil conservation, greater crops, and more and better live stock would bring added prosperity and stability to farming, and would do much to give it the business dignity that attaches to so many other forms of industry, and as a result of this new prosperity and business pride, would grow the ability to obtain and the desire for better living.

Better living touches the social, religious, and educational sides of life, and consequently, revolves largely around the home, the church, and the school. Probably the first requisite for the development of a general system of better living in any section is a better community spirit. This spirit will be born of better business, but should be encouraged and enlarged through the organization of a rural social center, which may have its headquarters in a rural community club house, or in the community school house. Out of this social center would grow more culture, broader political understanding, and comprehensive plans for rural betterment. There should be a library, a gymnasium, a hall for dances, and a meeting place for lodges and women's clubs. A series of concerts, lectures, travelogues, and weekly moving pictures should be arranged, and this social center should compare favorably in its activities with the modern city club.

Better home conditions are of vast importance to the personal comfort of the farming class. Farm houses should be arranged with the idea of utility foremost in the mind, and the seldom-used farm house parlor should not be a matter of first importance in home arrangement. More attention should be paid to the rooms that are used and particularly to the sleeping rooms. More home machinery should be introduced, electric or gasoline power should be substituted for windmills and muscle, and a washing machine should be indispensable in every farmer's home. Farm sanitation has been until recently a neglected science. Nothing is more important to the comfort of the rural classes and the maintenance of the health that naturally follows a life in the open. Better prepared food and a better understanding of the elements of which food is composed is of the utmost importance on the farm. The farmer of today enjoys more food and better food than many other classes, but

it is oftentimes cooked in a distasteful manner, is poorly selected and a great percentage of waste exists. Waste is one of the great enemies of the farmer as of most other classes of our people, and it should be eliminated in every department of his life.

Better church conditions are of importance to the spiritual welfare of the rural community. Many of our present churches should be discontinued or consolidated and gradually, by the process of elimination, we should allow the survival of the fittest to furnish to the farming people the better church conditions which are now so necessary. As a corollary to the church, the extension of the rural Y. M. C. A. and the enlargement of its influence and work would do much to improve the spiritual and moral atmosphere of the rural community.

Better school conditions are being demanded by the country population. School districts should be consolidated and the country schools should be graded, have high school departments and be in every way the prototypes of the city schools. Vocational courses should be provided for, and particular attention should be paid to the teaching of agriculture and the domestic arts. Night school classes and part time classes should be arranged and an education in the country should be in every way as thorough as an education in the city.

Better means of communication always lead to better living conditions. The rural free delivery has already done much for the farmer, and the rural telephone is now quite common. Good roads should be encouraged and pushed in every rural community. They make it possible for the farmer to visit his neighbors, to get to church, to send the children to school, and they enlarge the whole scope of the farmer's local activities and permit of the adoption of larger units for religious and educational activities. The rural newspaper owned by the farmers is of importance, not only in reporting

the news events that transpire in the community, but also in stimulating the energies, the pride, and the ambition of the farmer who finds his name on the first page, and the farmer's wife or daughter who finds her home-made gown described in the society column.

These various elements involving better living would bring to the farm a feeling of dignity and contentment, would do much to solve the vexing problem of farm labor, would result in more owners and fewer landlords, and would substitute the busy, intelligent, and prosperous country gentleman for the tiller of the soil whom we now sometimes read about in the joke books.

America is not yet a sick nation, but the germs of the great disease have found their way to American shores. The cure is easy to take involving as it does a transition from a dominating national life on the pavements, amidst the smoke, and menaced by vice to an equalizing national existence in the sunshine with the birds, the flowers, the free air, and the physical, mental, and moral health of the open country. The interest and assistance of all those who have at heart the future greatness of America is necessary that we may profit from the lessons taught by the story of the nations that have fallen.

CO-OPERATIVE EDUCATION AND CITIZENSHIP

BY GEORGE KEEN

It is appropriate that the Minnesota Academy of Social Sciences should devote its deliberations, at this annual session, to the consideration of co-operation, for it is claimed that Robert Owen, who is generally regarded the father of the co-operative movement, was also the father of social science. We have it on the authority of the co-operative historian, George Jacob Holyoake, that Owen was the first man who, as long ago as the year 1818, claimed there was a science of society. The first meeting of the British Social Science Association was held in 1857 at Birmingham, when, in his 86th year, Owen read a paper entitled "The Human Race Governed Without Punishment." In the following year the association met at Liverpool, and although, in the meantime, the aged co-operator and social reformer had been losing strength, the ruling passion of a life time was too strong for him. Though cheerful and courageous, it was evident to his friends that the end was approaching. He, nevertheless, insisted upon going to Liverpool, but upon arriving there he had to take to his bed from which he was carried in a sedan chair to the platform of the congress so that he might in person deliver his last message. His old friend, the famous Lord Brougham, led him to the front supporting him when he commenced to read his paper. After speaking a few minutes he collapsed. His friends gathered about him and sorrowfully carried him back to his bed, where he lay for an hour or more quite unconscious. His attempt to address the

second congress of the British Social Science Association was his last public appearance. He died a few weeks later.

I propose, in the limited time at my disposal, to make a few remarks on the influence of co-operative education on citizenship, and I would remind you in this connection that the purpose of Robert Owen was to use material means, through voluntary co-operation, for the purpose of evolving a higher type of citizen than existed in his day. Owen regarded environment as the maker of man, and in his ambition to realize his theories for the formation of character, he attached great importance to social and general education.

Robert Owen demonstrated the value of his social theories at New Lanark, Scotland, during his control there of the great industry of which he was a partner. When he commenced his experiments, the working people in his employ were ignorant, vicious, intemperate, and in a very impoverished condition. By attention to the moral and general education of adults and children alike, and appropriation of a share of the profits of industry to that end, remarkable results were achieved. They attracted the attention of Europe, and New Lanark became the Mecca of princes and statesmen at the time interested in the social improvement of the common people. Writing to "The Times" newspaper in 1834, and addressing his old friend who had then become Lord Chancellor Brougham, he said:

"I believe it is known to your Lordship that in every point of view no experiment was ever so successful as the one I conducted at New Lanark, although it was commenced and continued in opposition to all the oldest and strongest prejudices of mankind. For twenty-nine lawyers; without a single legal punishment; without years we did without the necessity for magistrates or any known poors' rate; without intemperance or reli-

gious animosities. We reduced the hours of labor, well educated all the children from infancy, greatly improved the conditions of the adults, diminished their daily labor, paid interest on capital, and cleared upwards of £300,000 of profit."

The Rochdale pioneers who, in 1844, established those principles of co-operation which have since been so successfully and universally adopted, although untutored men themselves, living a quarter of a century before the establishment of compulsory elementary education, also attached great importance to education for the improvement of the social conditions of the common people. They provided that $2\frac{1}{2}\%$ of the profits of the Rochdale Pioneers Equitable Co-operative Society should be devoted to that object. Ever since, co-operators have regarded education as absolutely essential to the progress and permanence of the movement. The success of a co-operative society is dependent upon the co-operative spirit and loyalty of its members, and almost without exception, the degree to which the same exists may be gauged by the enterprise and energy shown by the educational committee of the organization.

Much of the education formerly given by the British co-operative movement is now undertaken by the state. The education at the present time furnished by the Co-operative movement may, broadly, be said to be classified as follows: (1) In the instruction of the members in the principles and history of co-operation with a view of converting nominal into real co-operators; (2) The instruction of employees in bookkeeping, auditing, salesmanship, and business management; (3) the education of the British democracy by training adults in the duties of citizenship, including instruction in history, political economy, political and social science, and the masterpieces of literature. Some societies also give to workingmen technical instruction in the staple industries of the district.

For the session 1912-13, five hundred and eighteen classes were held in Britain, being an increase of fifty-one over the previous year. In addition the movement has a register of some hundreds of lecturers authorized by the Central Educational Committee of the British Co-operative Union, and who address gatherings of co-operators during the season on a great variety of subjects of social, economic, and co-operative value. The territory covered by the British Co-operative Union is divided into seven sections, but in the northwestern section alone the following report of the educational work undertaken for one season was given some years ago: Science and other classes 136, lectures 413, concerts 476 (at which it may be said co-operative addresses are usually given) news and reading rooms open 286, weekly issue of books from libraries 17,601. For the session 1912-13 there were 20,958 students registered in the various classes. Almost all these students are working people and, radiating their knowledge in association with their fellows in the factories and other places of employment, and in the working class homes of the kingdom, they must be doing a great service in increasing the social intelligence of the nation. In a return given a few years ago, it is interesting to note that, of 300 teachers employed by the British co-operative movement, 150 were engaged in the instruction of children of co-operators, 20 in training co-operative managers, and the remainder distributed among the various classes for adults.

While the education imparted under the auspices of the state is sought by the student to satisfy ambitions for his individual advancement in life, it will be seen that much of the education undertaken by the Co-operative movement is of social and impersonal value. It is expressly designed to develop and give intelligent expression to the social instinct, and to promote the welfare of democracy. On this continent by a manhood franchise we

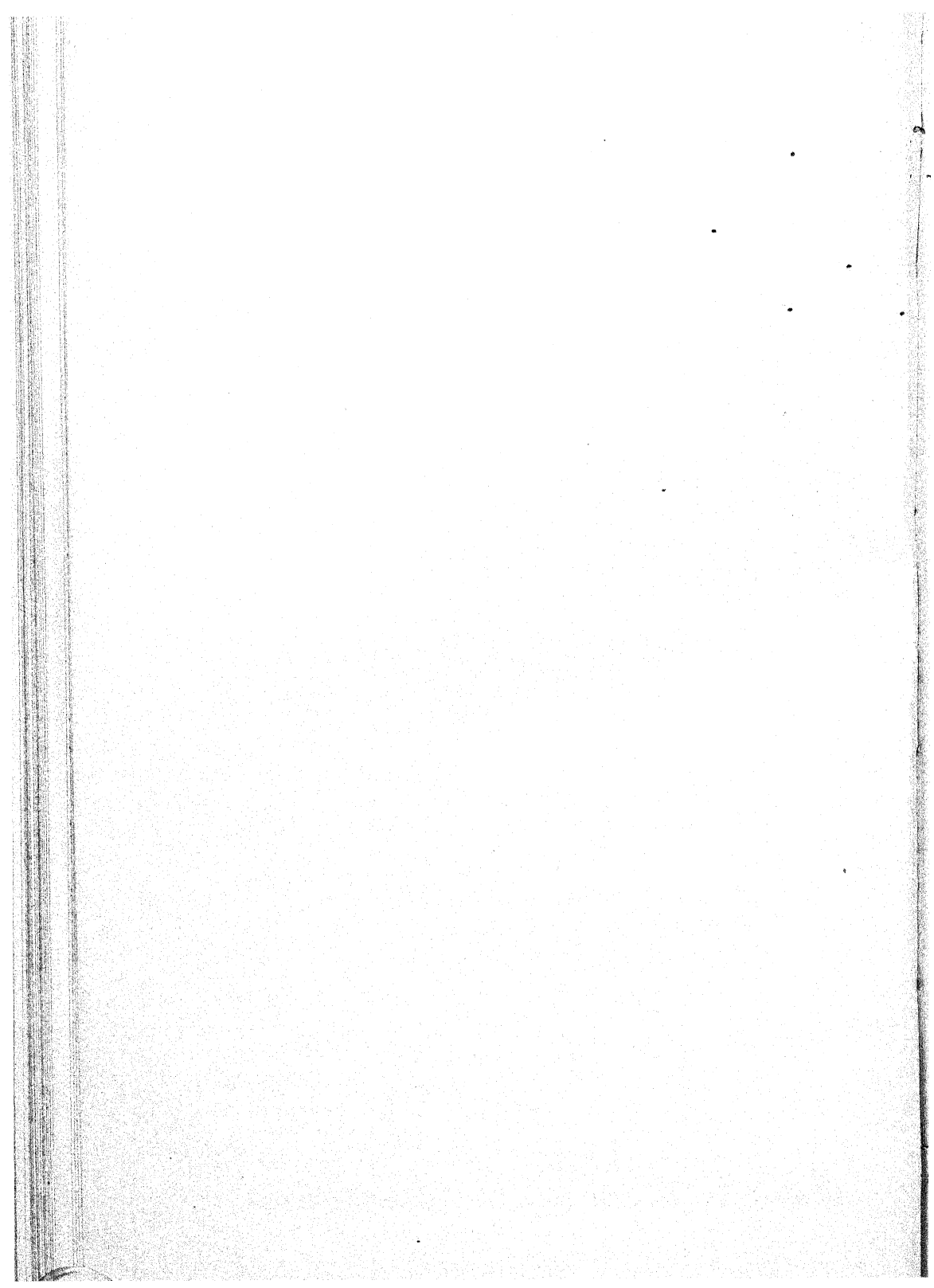
give to the people the right to control and to direct their social destiny, but we do little or nothing to equip them with the social education necessary to enable them intelligently to register their ballots. We spend huge sums in equipping the minds of men to seek their own individual advantage, but we fail to prepare them for the efficient and conscientious discharge of the duties of a citizen, which, in the last analysis, will operate more to the moral and material betterment of the great majority of the people.

The educational enterprises of the British co-operative movement during the last seventy years, besides contributing materially to its phenomenal economic success, have created a truly social spirit, and provided national and municipal administrators who have intelligently, enthusiastically, and unselfishly sought to serve their fellow citizens in public office. The great, successful, and ever growing extension of state and municipal activities to the ownership of public utilities, relatively free from any suggestion of official malfeasance, may be, to a great extent attributed to the education in citizenship of such organizations as the co-operative movement, which appreciate that the efficiency of popular governments depends more upon the social intelligence of the people than upon the comprehensive character of their democratic rights and privileges. In my judgment the relative purity of the public life in Britain, the successful application of the principles of public ownership, and the growing power of democracy to keep under control and to regulate the commercial, financial, and industrial combinations which prey upon society, must be attributed, in a considerable measure, to the wide-spread and systematic instruction given by the co-operative and allied and kindred movements, in the duties of citizens.

It is a remarkable fact in Canada, and I presume a similar condition exists here, that the interpretation of

the duty of a citizen to his home town takes the form of exploitation of civic funds, prestige and privileges for personal advantage. It is the practice, for instance, to devote the collective resources of the community to the attraction of new industries. Such industries, of course, increase the size of the community and its commercial importance, but the material advantages therefrom accrue, as a rule, to a small minority of citizens. They, by increased mercantile and industrial profits and unearned increments in land values, owing to increased population attracted by the use of civic organizations and funds, enjoy large emoluments which they do not deserve. The working population—generally in an overwhelming majority—provide the same and suffer in character and comfort in consequence. Undesirable social conditions are deliberately created by the selfish and artificial development of urban communities in the name of civic loyalty. Co-operative education in citizenship, developing the social or genuine civic spirit, would educate the people in a well-balanced development, and enable them to take care that the advantages of increased population are equitably distributed amongst all, instead of being monopolized by a small minority.

I, therefore, hold strongly to the view that apart from the economies to be effected by the development of co-operative productions, distribution, marketing, finance, and housing on this continent, the educational machinery provided by such organizations will do much towards solving the social problems which perplex our statesmen today.



INDEX

	PAGE
Auditing Committee, Report of.....	14
Appendix	167
Agricultural credit in Minnesota.....	162
American Commission	162
Division of Research in Agricultural Economics.....	164
Landschaften-foncier association.....	162
Professor Jacobstein's investigation.....	164
University of Minnesota.....	164
Buell, C. J., Why Does Capital Get So Much and Labor So Little?	45
Brown, Magnus, Co-operation in Wool Marketing.....	81
Caldwell, J. C., Neighborhood Co-operation.....	103
Cases Cited	
Swisher v. Ill. Central Railroad Co., 182 Ill., 533.....	39
Healey v. Steele Center Creamery Association, 115 Minn., 451	40
Decorah Farmers' Co-operative Society, 14 N. W., 844	40
Constitution of the Academy.....	7
Contents	4
Co-operative Education and Citizenship.....	176
Central Educational Committee of British Columbia..	179
educational enterprise	180
Holyoake quoted	176
Lord Brougham	176
solution of social problems.....	181
State education	178
Co-operation abroad	96
Barrington	97
combination of persons.....	96
Danish Co-operative Societies in 1909.....	98

Denmark, Belgium, Germany, Italy.....	96-97
English apathy	97
European farmers	96
Glasgow Conference	96
Raifeisen	102
Rochdale Society	97
Co-operation in Minnesota	50
co-operation in the Northwest.....	50
co-operative shop	50
co-operative creameries	53
cow-testing	56
co-operative potato warehouses.....	63
co-operative buying	66
city to country.....	51
egg marketing	62
Equity Co-operative Exchange, Minneapolis Chamber of Commerce	59
farmers' elevators	57
fire insurance	67
Knights of Labor.....	50
Live-Stock Shipping Associations.....	60
Pillsbury Mills	51
rural telephones	68
Co-operation at Hayfield	
cost of production.....	87
Dodge County	87
Hayfield Farmers' Elevator.....	90
Hayfield Lumber Company.....	91
Interurban Telephone Company.....	90
Mutual Insurance Company.....	89
socialistic theory	88
Vernon Co-operative Creamery Company.....	89
Co-operative Movement.....	116
apprentices	116
capitalist system	118
collective individualism	119
captains of industry	124
credit	127
co-operative knowledge	134
Charles Kingsley quoted.....	132
Duke of Kent.....	118

Equitable Co-operative Society of Rochdale, England..	119
economic democracy	134
"Famous twenty-eight"	119
federation	134
genesis of co-operative movement.....	117
industrial revolution	116
mechanical age	116
New Lanark	119
Owen	117
proxy	128
Professor Marshall quoted.....	132
social instinct	116
unselfish association	131
wealth production	117
Co-operation in Wool Marketing.....	81
cheap clothing	81
co-operative organization	83
experiences	82
method employed	81
shop record	81
Essentials of Co-operation.....	29
as a game	29
corporation	32
Denmark	34
farmers' clubs	31
good will	36
initiative	34
"one man, one vote".....	32
players	30
promotion	36
publicity	35
reserves	34
rural life movement	32
rules of the game.....	30
service	38
team work	29
training	31
unity of action.....	32
Fall of Nations.....	168
better living	173
better churches	174

diversification	172
decay of rural civilization.....	168
farm houses	173
good roads	174
greater crops	172
mortgage credit	171
rural Y. M. C. A.....	174
succession of nations.....	168
soil fertility	172
table	170
urban civilization	168
Farmers' Corporation of Dassel.....	73
articles of incorporation.....	76
dairy stock	74
egg selling	75
Extension Division, University of Minnesota.....	80
farmers' clubs	74
farmers' corporation	75
farm produce	78
machinery	78
manager	77
mistakes	79
returns to patrons	74
shares of stock.....	76
seed department	76
social advantages	80
Headquarters of the Academy.....	2
Johnson, K., Farmers' Corporation of Dassel.....	73
Keen, George, The Co-operative Movement.....	116
Co-operative Education and Citizenship.....	176
Land Credit	138
amortization	139
co-operative ownership	138
farm mortgage	138
joint stock ownership.....	138
restrictions on bonds.....	142
statistical tables	140-141
supervision	139
Legal Aspects of Co-operation.....	39
community service	41

Index

v

concentration of trade.....	42
department store	43
definition	39
efficiency	43
expert guidance	43
Fruit Growers' Association of California.....	42
speculation	42
scientific management	42
schools of democracy.....	44
use of terms.....	39
Members and subscribers.....	15
Minnesota Academy of Social Sciences.....	5
Neighborhood Co-operation	103
American Commission	106
countries visited	105
form of organization	110
International Institute of Agriculture.....	104
indorsements	104
John Marshall quoted on nature of corporation.....	108
proposed banking law	113
rural finance	106
Southern Commercial Congress.....	103
true values	107
Officers for 1914.....	9
Personal Credit	145
agricultural credit banks in the United States.....	146
Agricultural and Industrial Aid Society.....	150
Baron de Hirsh fund.....	148
commercial credit	158
Jewish immigrant	148
long-term credit	145
mode of procedure.....	153
rural credit	152
Raifeisen system	152
short-term credit	145
statistical tables	156-157
Program for 1913.....	11-12
Simon, George W., Personal Credit.....	145

Spirit of Co-operation.....	21
Christian socialists	25
competitive system	24
corrupt plutocracy	23
conscience and conduct.....	22
international organizations	24
Malthus	22
Owen	25
people and property	23
Rochdale	25-26
Sermon on Mount.....	22
signs of times.....	23
solidarity of society.....	25
Webb, Mrs. Sidney.....	28
Thompson, C. W., Essentials in Co-operation.....	29
Waite, E. F., Spirit of Co-operation.....	21
Weld, L. D. H., Co-operation in Minnesota.....	50
Wilson, F. T., Legal Aspects of Co-operation.....	39
Wicker, George, Co-operation at Hayfield.....	87
Webb, E. A., Co-operation Abroad.....	96
Woodruff, George, Land Credit.....	138
Fall of Nations.....	168
Warber, G. P., Agricultural Credit in Minnesota.....	162
Why does Capital get so much and Labor so little?.....	45
fundamental truths	46
Henry George	45
obstructions of statute law.....	47
"Toward the Light"	45
"The Theory of Human Progression".....	45
Young, J. S., Report of.....	14